SLAVE LAKE ZINC CORP.

Consolidated Financial Statements

Years Ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Slave Lake Zinc Corp.:

Opinion

We have audited the consolidated financial statements of Slave Lake Zinc Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
January 25, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

SLAVE LAKE ZINC CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2020 $	September 30, 2019 $
Assets		
Current assets		
Cash	111,373	209,924
GST receivable	4,551	2,058
Prepaid expenses and deposits	787	–
Total current assets	116,711	211,982
Non-current assets		
Exploration and evaluation assets (Note 3)	247,574	239,104
Total assets	364,285	451,086
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	23,298	22,102
Due to related parties (Note 5)	132,992	30,112
Total liabilities	156,290	52,214
Shareholders' equity		
Share capital (Note 6)	1,274,977	1,167,300
Share-based payment reserve (Note 8)	321,118	343,910
Deficit	(1,388,100)	(1,112,338)
Total shareholders' equity	207,995	398,872
Total liabilities and shareholders' equity	364,285	451,086

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 13)

Approved and authorized for issuance by the Board of Directors on January 25, 2021:

"Ritchie Wigham"
Ritchie Wigham, Director

"Jaskarn Rai"
Jaskarn Rai, Director

(The accompanying notes are an integral part of these consolidated financial statements)

SLAVE LAKE ZINC CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended September 30, 2020 $	Year ended September 30, 2019 $
Expenses		
Consulting fees	–	24,613
Investor relations	7,893	–
Management fees (Note 5)	164,000	152,000
Office and miscellaneous	28,794	14,711
Professional fees	28,012	41,080
Share-based compensation (Note 8)	24,885	343,910
Transfer agent and filing fees	18,412	31,428
Travel	3,766	9,258
Total expenses	275,762	617,000
Net loss and comprehensive loss	(275,762)	(617,000)
Loss per share, basic and diluted	(0.01)	(0.02)
Weighted average common shares outstanding	32,955,721	32,487,190

(The accompanying notes are an integral part of these consolidated financial statements)

SLAVE LAKE ZINC CORP.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Special warrants	Share-based payment reserve	Deficit	Total shareholders' equity
	Number of shares	Amount $	$	$	$	$
Balance, September 30, 2018	26,700,000	600,500	566,800	–	(495,338)	671,962
Shares exchanged for special warrants (Note 9)	6,194,500	566,800	(566,800)	–	–	–
Share-based compensation (Note 8)	–	–	–	343,910	–	343,910
Net loss for the year	–	–	–	–	(617,000)	(617,000)
Balance, September 30, 2019	32,894,500	1,167,300	–	343,910	(1,112,338)	398,872
Fair vale of stock options granted (Note 8)	–	–	–	24,885	–	24,885
Shares issued upon exercise of stock options (Note 6)	600,000	107,677	–	(47,677)	–	60,000
Net loss for the year	–	–	–	–	(275,762)	(275,762)
Balance, September 30, 2020	33,494,500	1,274,977	–	321,118	(1,388,100)	207,995

(The accompanying notes are an integral part of these consolidated financial statements)

SLAVE LAKE ZINC CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended September 30, 2020 $	Year ended September 30, 2019 $
Operating activities:		
Net loss	(275,762)	(617,000)
Items not involving cash:		
Share-based compensation	24,885	343,910
Changes in non-cash operating working capital:		
GST receivable	(2,493)	(2,058)
Prepaid expenses and deposits	(787)	–
Accounts payable and accrued liabilities	1,196	(14,843)
Due to related parties	102,880	–
Net cash used in operating activities	(150,081)	(289,991)
Investing activities		
Exploration and evaluation asset expenditures	(8,470)	(63,791)
Net cash used in investing activities	(8,470)	(63,791)
Financing activities		
Advances from related parties	–	18,401
Proceeds from exercise of stock options	60,000	–
Net cash provided by financing activities	60,000	18,401
Change in cash	(98,551)	(335,381)
Cash, beginning of year	209,924	545,305
Cash, end of year	111,373	209,924
Non-cash investing and financing activities:		
Fair value of stock options exercised transferred from share-based payment reserve to share capital	47,677	–
Shares exchanged for special warrants	–	566,800

(The accompanying notes are an integral part of these financial statements)

1. Nature of Operations and Continuance of Business

Slave Lake Zinc Corp. (the "Company") was incorporated in the province of the British Columbia on September 14, 2016. The Company's principal business activities include the acquisition and exploration of mineral property assets located in Northwest Territories, Canada. The Company's head office is located at 207 St. Patrick's Avenue, North Vancouver, BC, V7L 3N3.

On November 7, 2018, the Company completed its Initial Public Offering and the Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "SLZ".

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended September 30, 2020, the Company has not generated any revenues and incurred negative cash flow from operating activities. As at September 30, 2020, the Company has a working capital deficit of $39,579 and an accumulated deficit of $1,388,100. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a going concern basis.

(b) Basis of Preparation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The consolidated financial statements of the Company have been prepared on an accrual basis expect for cash flow information, and are prepared based on an historical cost basis except for certain financial instruments recorded at fair value.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 9906487 Canada Corp.

All intercompany balances and transactions have been eliminated upon consolidation.

(d) Application of New IFRS

IFRS 16 Leases

On October 1, 2019, the Company adopted IFRS 16, Leases ("IFRS 16") which replaced IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after October 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments, and leases of low-value assets.

2. Significant Accounting Policies (continued)

(d) Application of New IFRS (continued)

The Company adopted IFRS 16 using the modified retrospective method, which does not require restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at October 1, 2019 and applies the standard prospectively. The Company has determined that at October 1, 2019, the adoption of IFRS 16 did not result in the recognition of a right-of-use asset ("ROU asset") nor a lease obligation as the Company has no leases.

(e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(f) Use of Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas requiring the use of estimates include fair value of share-based payments and unrecognized deferred income tax assets.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss in the period when the new information becomes available.

(g) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

2. Significant Accounting Policies (continued)

(g) Exploration and Evaluation Expenditures (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Mineral Property Options

The Company does not record any expenditures made by the optionee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation option arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized.

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit-of-production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statement of loss and comprehensive loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the statement of operations.

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified as FVTPL or amortized cost.

The Company has made the following classifications:

Cash	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

<u>*Financial Assets*</u>

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of loss and comprehensive loss to the extent that the carrying amount of the investment

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective rate interest method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant Accounting Policies (continued)

(k) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of loss and comprehensive loss.

(l) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(m) Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is equal the loss attributable to common shareholders when effect is anti-dilutive.

(n) Comprehensive Loss

Comprehensive loss is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of loss.

(o) Reclassifications

Certain of the prior year’s figures have been reclassified to conform to the current year’s presentation.

(p) Accounting Standards Issued but Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2020, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

(Expressed in Canadian dollars)

3. Exploration and Evaluation Assets

O'Connor Lake Property

The Company acquired the Property, a mineral claim ("MWK"), tag # F97540 in the South Slave region of the Northwest Territories, NTS Map 75E06, pursuant to a mineral property acquisition agreement (the "Acquisition Agreement") dated for reference February 7, 2017 among the Company as purchaser, Jaskarn Rai, Ritchie Wigham, Glen Macdonald and Max Braden as vendors (the "Vendors") and 1089621 B.C. Ltd. as royalty holder (the "Royalty Holder"). Each of the Vendors is a founder and director of the Company and was a director of the Company at the time of entering into the Acquisition Agreement. Pursuant to the Acquisition, the Company acquired a 100% right, title, and interest in and to the Property, subject to a 3.5% net smelter returns royalty, by making a cash payment of $1 to each of the Vendors. The acquisition of the Property by the Company was formalized by the Acquisition Agreement. The Property is subject to a 3.5% net smelter returns royalty (the "Royalty") to the Royalty Holder. The Company has the right to purchase 2/7th of the Royalty from the Royalty Holder at any time for $1,000,000 after which the Royalty will be reduced to 2.5% of net smelter returns. After payment of $1,000,000 the Company has the right to purchase 2/5th of the remaining Royalty for $2,000,000 at any time after which the Royalty rate will be reduced to 1.5% of net smelter returns. The Property has a 10 kilometer area of interest, and any mineral claims or properties interest within this area that any of the Vendors and/or associated parties acquires, through staking or otherwise, will become part of the Acquisition Agreement and be subject to the Royalty.

On June 28, 2018, the Company entered into a 21 year lease commencing on August 30, 2016 with the Minister of Department of Indian Affairs and Northern Development. The claim is 188.12 hectares and has an annual rental fee of $470 payable to the Minister of Department of Indian Affairs and Northern Development and there is no other capital commitment required to maintain the lease.

On September 10, 2020, the Company entered into a collaboration agreement ("Agreement") with the Northwest Territory Métis Nation ("NWTMN) to advance the O'Connor Lake Property.

As the Company advances the O'Connor Lake Property and certain milestones are met, payments to the NWTMN will be required. Subsequent to September 30, 2020, the Company paid $5,000 to NWTMN under the terms of the Agreement.

	$
Balance, September 30, 2018	175,313
Geological costs	63,791
Balance, September 30, 2019	239,104
Claims lease fees	470
Geological costs (Note 4)	8,000
Balance, September 30, 2020	247,574

4. Accounts Payable and Accrued Liabilities

	2020 $	2019 $
Accounts Payable	11,298	10,102
Accrued Liabilities	12,000	12,000
Total Accounts Payable and Accrued Liabilities	23,298	22,102

(Expressed in Canadian dollars)

5. Related Party Transactions

(a) As at September 30, 2020, the Company owed $44,043 (2019 - $3,163) to the President of the Company which is non-interest bearing, unsecured, and due on demand.

(b) As at September 30, 2020, the Company owed $45,565 (2019 - $3,565) to the Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand.

(c) As at September 30, 2020, the Company owed $20,000 (2019 - $8,000) to the Chief Financial Officer of the Company which is non-interest bearing, unsecured, and due on demand.

(d) As at September 30, 2020, the Company owed $23,384 (2019 - $15,384) to directors of the Company which is non-interest bearing, unsecured, and due on demand.

(e) During the year ended September 30, 2020, the Company incurred management fees of $72,000 (2019 - $69,000) to the President of the Company.

(f) During the year ended September 30, 2020, the Company incurred management fees of $72,000 (2019 - $69,000) to the Chief Executive Officer of the Company.

(g) During the year ended September 30, 2020, the Company incurred management fees of $12,000 (2019 - $8,000) to the Chief Financial Officer of the Company.

(h) During the year ended September 30, 2020, the Company incurred management fees of $8,000 (2019 - $6,000) to directors of the Company.

(i) During the year ended September 30, 2020, the Company incurred geological fees of $8,000 (2019 - $nil) to a director of the Company.

6. Share Capital

Authorized: Unlimited common shares without par value

(a) On September 23, 2020, the Company issued 600,000 common shares for proceeds of $60,000 pursuant to the exercise of stock options. The fair value of the stock options exercised of $47,677 was transferred from share-based payment reserve to share capital upon exercise.

(b) On October 24, 2018, the Company issued 6,194,500 units for the exercise of special warrants. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable at $0.30 per common share expiring on October 24, 2020 (Note 13).

(c) Escrowed Securities

During the year ended September 30, 2018 the Company entered into an escrow agreement, whereby 20,650,000 common shares were held in escrow and are scheduled for release over a 36- month period. At September 30, 2020, 9,292,500 common shares were held in escrow.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, September 30, 2018	–	–
Issued	3,097,250	0.30
Balance, September 30, 2019 and 2020	3,097,250	0.30

(Expressed in Canadian dollars)

7. Share Purchase Warrants (continued)

As at September 30, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
3,097,250	0.30	October 24, 2020 (Note 13)

8. Stock Options

On June 21, 2018, the Company adopted an incentive stock option plan (the "Option Plan"). The maximum number of shares reserved for issuance upon exercise of options granted shall not exceed 15% of the issued and outstanding common shares of the Company. The option period shall not exceed ten years from the date of grant. Under the Option Plan, the subscription price in respect of any option shall be set in accordance with the applicable policies of the CSE. The number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares in any twelve month period or any aggregate maximum of 1% if the optionee(s) are engaged in investor relations activities or if the optionee is a consultant, no more than 2% per consultant in any twelve month period. The Option Plan contains no vesting requirements.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Balance, September 30, 2018	–	–
Granted	4,325,000	0.10
Balance, September 30, 2019	4,325,000	0.10
Granted	300,000	0.10
Exercised	(600,000)	0.10
Cancelled	(125,000)	0.13
Balance, September 30, 2020	3,900,000	0.10

Additional information regarding stock options outstanding as at September 30, 2020 is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.10	3,900,000	0.2	0.10

(Expressed in Canadian dollars)

8. Stock Options (continued)

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	2020	2019
Risk-free interest rate	0.24%	2.26%
Expected life (in years)	2	2
Expected volatility	135%	177%

The total fair value of the stock options granted during the year ended September 30, 2020 was $24,885 (2019 - $343,910) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the year ended September 30, 2020 was $0.08 (2019 - $0.08) per option.

9. Special Warrants

During the year ended September 30, 2018, the Company completed a special warrant financing of 6,194,500 special warrants at $0.10 per special warrant for cash proceeds of $566,800 net of $52,650 related finders' fees. Each special warrant may be exercised by the holder, in whole or in part, at any time, into one common share of the Company and one-half of one non-transferrable share purchase warrant, whereby each whole warrant can be exercisable to purchase one common share of the Company at an exercise price of $0.30 per share expiring two years from the date of exercise or deemed exercise of the special warrant.

All special warrants were exercised during the year ended September 30, 2019 (Notes 6 and 7).

10. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. Cash is measured at fair value based on the Level 1 hierarchy.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company is not exposed to any significant foreign exchange rate risk.

(Expressed in Canadian dollars)

10. Financial Instruments and Risk Management (continued)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The contractual financial liabilities of the Company as of September 30, 2020 equal $156,290. All of the liabilities presented as accounts payable and accrued liabilities and due to related parties are due on demand. The Company intends to finance its operations over the next twelve months with existing cash, loans from directors and companies controlled by directors and cash proceeds from share private placements.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended September 30, 2019.

12. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2020 $	2019 $
Loss before income taxes	(275,762)	(617,000)
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(74,445)	(166,590)
Tax effect of:		
Permanent differences and other	6,873	93,244
Change in unrecognized deferred income tax assets	67,582	73,346
Income tax provision	–	–

(Expressed in Canadian dollars)

12. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2020 $	2019 $
Deferred income tax assets		
Non-capital losses carried forward	286,979	215,609
Share issuance costs	6,631	10,419
Total gross deferred income tax assets	293,610	226,028
Unrecognized deferred income tax assets	(293,610)	(226,028)
Net deferred income tax asset	–	–

As at September 30, 2020, the Company has non-capital losses carried forward of $1,062,884, which are available to offset future years' taxable income. These losses expire as follows:

	$
2036	7
2037	347,682
2038	165,179
2039	285,681
2040	264,335
	1,062,884

The Company also has available mineral resource related expenditure pools totalling $247,574 which may be deducted against future taxable income on a discretionary basis.

13. Subsequent Events

On October 24, 2020, a total of 3,097,250 warrants expired unexercised.

On October 31, 2020, a total of 3,600,000 options expired unexercised.

On November 2, 2020, the Company granted 3,900,000 stock options exercisable at $0.10 per common share expiring on November 2, 2022 to officers and directors of the Company.