

**SCOTCH CREEK VENTURES INC.**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements for Scotch Creek Ventures Inc. (the "Company") have been prepared by management in accordance with International Financing Reporting Standards (IAS 34). These condensed financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim financial statements.

The Company's independent auditors have not performed a review of these interim condensed financial statements in accordance with the disclosure requirements of National Instruments 51-102 released by the Canadian Securities Administrators.

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Expressed in Canadian Dollars)

	JUNE 30, 2020	DECEMBER 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 11,912	\$ 6,238
Accounts receivable	17,456	16,872
<b>Total Current Assets</b>	29,368	23,110
<b>Exploration and Evaluation Assets (Note 5)</b>	247,622	247,622
<b>Total Assets</b>	\$ 276,990	\$ 270,732
 <b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 143,036	\$ 79,099
Promissory Notes (Note 6)	91,000	20,000
	234,036	99,099
 <b>Long Term</b>		
Promissory Note (Note 6)	25,000	60,000
 <b>EQUITY</b>		
<b>Share Capital (Note 7)</b>	478,997	478,997
<b>Reserves</b>	22,486	22,486
<b>Deficit</b>	(483,529)	(389,850)
<b>Total Equity</b>	17,954	111,633
<b>Total Liabilities and Equity</b>	\$ 276,990	\$ 270,732

### NATURE AND CONTINUANCE OF OPERATIONS (NOTE 1)

The financial statements were approved and authorized for issue by the Board of Directors on August 26, 2020. They were signed on the Company's behalf by:

\_\_\_\_\_  
"David Ryan"  
Director

\_\_\_\_\_  
"Logan Anderson"  
Director

The accompanying notes are an integral part of these financial statements

## SCOTCH CREEK VENTURES INC.

### CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (Expressed in Canadian Dollars)

	THREE MONTH PERIOD ENDED JUNE 30, 2020	THREE MONTH PERIOD ENDED JUNE 30, 2019	SIX MONTH PERIOD ENDED JUNE 30, 2020	SIX MONTH PERIOD ENDED JUNE 30, 2019
<b>Expenses</b>				
Directors' fees	\$ 3,000	\$ 3,000	\$ 6,000	\$ 6,000
Interest	2,108	497	4,978	1,160
Office and miscellaneous	8,917	5,397	16,601	9,752
Management fees (Note 11)	30,000	30,000	60,000	45,000
Professional fees	1,626	945	5,575	3,434
Travel	525	-	525	912
	46,176	39,839	93,679	66,258
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (46,176)</b>	<b>\$ 39,839)</b>	<b>\$ (93,679)</b>	<b>\$ (66,258)</b>
<b>Loss Per Common Share, Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>13,835,000</b>	<b>13,835,000</b>	<b>13,835,000</b>	<b>13,835,000</b>

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**SCOTCH CREEK VENTURES INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	SIX MONTH PERIOD ENDED JUNE 30, 2020	SIX MONTH PERIOD ENDED JUNE 30, 2019
<b>Cash Provided By (Used In):</b>		
<b>Operating Activities</b>		
Net loss for the period	\$ (93,679)	\$ (66,258)
Net changes in non-cash operating working capital items:		
Accounts receivable	(584)	2,335
Accounts payable and accrued liabilities	63,937	(53,515)
	(30,326)	(122,108)
<b>Financing Activities</b>		
Proceeds from promissory notes	36,000	(35,000)
	36,000	(35,000)
<b>Investing Activities</b>		
Exploration and evaluation assets	0	(47,459)
	0	(47,459)
<b>Net Increase (decrease) In Cash</b>	(5,674)	(204,567)
<b>Cash, Beginning of Period</b>	6,328	292,184
<b>Cash, End of Period</b>	\$ 11,912	\$ 87,617
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 4,987	\$ -
Income taxes paid	\$ -	\$ -
Exploration and evaluation assets included in accounts payable and accrued liabilities	\$ -	\$ -

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**SCOTCH CREEK VENTURES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2020 AND 2019**  
(Expressed in Canadian Dollars)

	SHARE CAPITAL		RESERVES	DEFICIT	TOTAL EQUITY
	COMMON SHARES	AMOUNT			
<b>Balance December 31,2018</b>	13,835,000	\$ 478,997	22,486	\$ (224,821)	\$ 276,662
Loss for the period				(66,258)	(66,258)
<b>Balance June 30, 2019</b>	13,835,000	\$ 478,997	\$ 22,486	\$ (291,079)	\$ 210,404
<b>Balance December 31, 2019</b>	13,835,000	\$ 478,997	\$ 22,486	\$ 389,850	\$ 111,633
Loss for the period				(93,679)	(93,679)
<b>Balance June 30, 2020</b>	13,835,000	\$ 478,997	22,486	\$ 483,529	\$ 17,954

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 1. NATURE AND CONTINUANCE OF OPERATIONS

#### a) Nature of Operations

Scotch Creek Ventures Inc. (the "Company") was originally incorporated under the Business Corporations Act of British Columbia on January 9, 2017. The principal business of the Company is the acquisition and exploration of resource properties in North America.

The address of the Company's corporate office and principal place of business is Suite 510, 744 West Hasting Street Vancouver BC, V6C 1A5, Canada.

The consolidated financial statements of the Company are presented in Canadian dollars which is the functional currency of the Company and its subsidiary.

#### b) Continuance of Operations

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

At the date of the consolidated interim financial statements, the Company has not identified a known body of commercial grade mineral on any of its properties. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would ensure continuation of the Company's operation and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

These interim Financial Statements should be read in conjunction with the yearend audited Financial Statements dated December 31, 2019.

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 1. NATURE AND CONTINUANCE OF OPERATIONS (Continued)

During the six month period ended June 30, 2020, the Company incurred a net loss of \$93,679 (June 30, 2020: \$66,258) and had an accumulated deficit of \$483,529 (June 30, 2019 - \$291,079). The operations of the Company have been funded by the issuance of common shares. Continued operations of the Company are dependent on the Company's ability to complete equity financings. Management's plan in this regard is to secure additional funds through future equity financings, which may be unavailable or unavailable on reasonable terms. These factors may cast significant doubt on the Company's ability to continue as a going concern.

#### c) 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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors on August 26, 2020.

### 2. BASIS OF PRESENTATION

#### a) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are classified as at fair value through profit or loss which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

#### b) Principles of consolidation

These consolidated financial statements include the balances and results of the Company and those entities over which the Company exercises control. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations.

These consolidated financial statements include the assets, liabilities, income and expenses of the Company and its wholly owned subsidiary Scotch Creek Ventures (NV) Inc. All intercompany transactions and balances have been eliminated on consolidation. Unless otherwise indicated, all amounts are reported in Canadian dollars.

#### c) Significant accounting estimates and judgments

The preparation of the consolidated 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 statement and reported amounts of expenses during the reporting

The accompanying notes are an integral part of these financial statements



# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION (Continued)

period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

Critical accounting estimates:

- The carrying value and the recoverability of mineral properties;
- Share-based payments; and
- Deferred income taxes.

Critical accounting judgments:

Examples of significant judgments, apart from those involving estimation, include:

- The accounting policies for mineral properties; and
- Assessment of the Company's ability to continue as a going concern

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Mineral properties

Mineral properties are carried at cost. The Company is an early stage exploration company with no known mineral reserves or production.

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore has been acquired, costs directly related to mineral properties, are capitalized, in addition to acquisition costs. These direct expenditures include such costs as materials used, staking costs, drilling costs, and payments made to contractors. Costs not directly attributable to mineral properties, including general administration and overhead costs are expensed in the period in which they occur.

The Company may enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration for an agreement by the transferee to meet certain mineral properties expenditures which would have otherwise been undertaken by the Company. The Company will not record any expenditure made by the farmee on its behalf. Any cash consideration received from the agreement will be credited against the costs previously

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

(Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

capitalized to the mineral interest given up by the Company, with any excess or shortfall of cash accounted for as a gain or loss.

Expenditures for each mineral property are carried forward as an asset provided that one of the following conditions is met:

- i) Such costs are expected to be recouped in full through successful development and exploration of the mineral property or alternatively, by sale; or
- ii) Activities in the mineral property have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, however active and significant operations in relation to the mineral property are continuing, or planned for the future.

The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present. In the case of undeveloped properties, there may be only inferred resources to allow management to form a basis for the impairment review. The review is based on the Company's intentions for the development of such a property. If a mineral property does not prove viable, all unrecoverable costs associated with the property are charged to profit or loss at the time the determination is made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mining assets". Mineral property expenditures accumulated are also tested for impairment before the costs are transferred to development properties.

#### b) Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no

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# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

(Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### c) Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

#### d) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Provisions

Provisions are liabilities that are uncertain in timing or amount. The Company records a provision when and only when:

- i) The Company has a present obligation (legal or constructive) as a result of a past event;
- ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- iii) A reliable estimate can be made of the amount of the obligation.

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any rehabilitation obligations.

#### f) Financial instruments

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

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# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial assets*

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

i) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash, and accounts receivables. Cash is measured at fair value and accounts receivable are measured at amortized cost.

#### *Financial liabilities*

The Company's financial liabilities include accounts payable and accrued liabilities and promissory notes, which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### **g) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

#### **h) Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement.

Warrants that are part of units are assigned value using the residual value method and included in share capital with the common shares that were concurrently issued. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

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# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

#### i) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in the making of financial and operating decisions.

Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### j) Change in accounting policies

During the year ended December 31, 2019, the Company adopted certain new accounting standards and pronouncements, none of which had a material impact on the Company's consolidated financial statements.

The following standard has been issued and is effective for the current year:

IFRS 16, *Leases* replaces the previous leases standard, IAS 17 *Leases*. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. There were no significant impacts upon adoption.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 4. CAPITAL DISCLOSURES

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2020.

### 5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk, and currency risk and price risk. The carrying value of the Company's financial instruments approximates their fair value due to their short-term nature.

#### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

#### b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company's cash is held with a major Canadian based financial institution. Receivables consist of goods and services tax due from the government of Canada.

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# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### c) Liquidity risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. As at June 30, 2020, the Company held cash of \$11,912 to settle current liabilities of \$234,036.

#### d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada and is not exposed to currency risk.

#### e) Price risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of commodities. The Company monitors commodity prices to determine appropriate actions to be undertaken.

#### f) Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

*Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2* – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

*Level 3* – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

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## SCOTCH CREEK VENTURES INC.

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

#### 6. EXPLORATION AND EVALUATION ASSETS

	<b>CUPZ CLAIMS</b>
<b>Property acquisition costs</b>	
<b>Balance, December 31, 2017 and March 31, 2018</b>	<b>\$ 25,485</b>
Additions-Claims maintenance	8,790
<b>Balance, December 31, 2018</b>	<b>\$ 34,275</b>
Claims maintenance	9,982
<b>Balance June 30, 2020 and December 31, 2019</b>	<b>\$ 44,257</b>
<b>Deferred exploration expenditures</b>	
Balance, December 31, 2017 and March 31, 2018	<b>\$ 83,063</b>
Additions during the period	
Geochemistry	29,019
Drilling	69,642
Assays	21,641
	<b>120,302</b>
<b>Balance, June 30, 2020 and December 31, 2019</b>	<b>\$ 203,365</b>
<b>Total balance, March 31, 2019 and December 31, 2018</b>	<b>\$ 117,338</b>
<b>Total balance, June 30, 2020 and December 31, 2019</b>	<b>\$ 247,622</b>

#### Cupz Claims

On July 12, 2017, the Company entered into a purchase agreement with Curellie LLC ("Curellie") of Elko Nevada to acquire a 100% undivided interest in the Cupz unpatented lode claims (Cupz 1-14) located in Esmeralda County Nevada USA.

The terms of the agreement are an outright purchase of the property for \$17,000 with a 3% net smelter return ("NSR") royalty to Curellie.

The Company may at anytime reduce the royalty to 2% by paying \$500,000 to Curellie or to 1% by paying \$1,000,000.

The Company staked an additional 25 contiguous unpatented claims at a cost of \$8,485 to increase the total number of claims to 39 claims covering approximately 806 acres.

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 7. PROMISSORY NOTES

On October 17 and October 23, 2019, the Company issued two promissory notes for \$30,000 each to arm's length parties. The notes bear interest at a rate of 10% per annum and are due on April 17, 2021 and April 23, 2021.

On May 23, 2018, the Company issued a two-year promissory note to an arm's length party for \$20,000 which bears interest at a rate of 10% per annum and was due on or before May 23, 2020.

On March 26, 2020 the Company issued a \$11,000 promissory note to a Company that is controlled by a director. The note bears interest at a rate of 10% and is payable on demand.

On April 21, 2020 the Company issued a \$25,000 promissory note to an arm's length party for \$25,000 which bears interest at a rate of 10% per annum and is due on or before April 21, 2022.

### 8. EQUITY

#### Share Capital

#### a) Authorized

Unlimited common shares, without par value.  
Unlimited preferred shares, without par value.

#### b) Issued

During the six month periods ended June 30, 2020 and 2019, the Company did not issue any common shares.

No preferred shares were issued and outstanding during the six month periods ended June 30, 2020, and 2019.

#### c) Escrowed securities

Of a total of 3,700,001 common shares subject to escrow, 2,220,001 remain held in escrow as at June 30, 2020 (June 30, 2019 – 2,775,001), which will be released at a rate of 15% every 6 months from December 28, 2019.

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 8. EQUITY (Contd...)

#### Share Purchase Warrants

The changes in share purchase warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance as at January 1, 2019</b>	3,297,450	\$ 0.005
<b>Balance as at June 30, 2019</b>	3,297,450	\$ 0.12
<b>Balance as at January 1, 2020</b>	3,297,450	
<b>Balance as at June 30, 2020</b>	3,297,450	\$ 0.12

The Company issued 3,000,000 common share purchase warrants with an exercise price of \$0.005 per warrant pursuant to the unit offering completed on January 31, 2017. On January 21, 2019, the Company amended the terms of 3,000,000 share purchase warrants held by two directors of the Company. The expiration date of these warrants was extended from January 31, 2019 to January 31, 2021. In addition, the exercise price of these warrants was increased to \$0.12 per share.

The 297,450 broker warrants are at \$0.12 and expire on December 29, 2020.

#### Stock Options

On May 30, 2018, the Company adopted a Stock Option Plan (the "Stock Option Plan") providing for the grant to the Company's officers, directors, employees, permitted consultants, and, management company employees, of options to purchase common shares of the Company. Under the Stock Option Plan, the Company may grant options to purchase up to 10% of the issued and outstanding shares of the Company. No options have been granted to date.

Subsequent to the six month period ended June 30, 2020, the Company issued stock options (see note 11).

The accompanying notes are an integral part of these financial statements

# SCOTCH CREEK VENTURES INC.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020 (Expressed in Canadian Dollars)

### 9. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the six month period ended June 30, 2020, the Company paid or accrued a total of \$60,000 (June 30, 2019 - \$45,000) in management fees, to two officers and directors of the Company.

The Company also incurred a total of \$6,000 (June 30, 2019 - \$6,000) in directors' fees to two independent directors.

The Company incurred rent of \$6,300 to a Company that is owned and controlled by two directors.

As at June 30, 2020, \$112,000 (June 30, 2019 - \$9,500) was owing to officers and directors and is included in accounts payable and accrued liabilities.

### 10. SEGMENTED INFORMATION

The Company's operations are limited to a single industry, being mining exploration and development. Geographic segment information of the Company's total assets as at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Canada	\$ 22,755	\$ 138,495
USA	247,622	148,807
Total assets	<u>\$270,377</u>	<u>\$ 270,732</u>

### 11. SUBSEQUENT EVENTS

On July 15, 2020 the Company granted 1.4 million stock options to directors and officers in accordance with the terms of the Company's stock option plan. The stock options are exercisable at eight cents per share for a period of three years from the date of grant.

Only July 8, 2020 the company settled outstanding indebtedness of \$115,000 in exchange for common shares of the company at a price of eight cents per common share. The debt settlement arrangements include directors and officers of the company, and associated companies of directors and officers.

The accompanying notes are an integral part of these financial statements