LIDA RESOURCES INC.

Consolidated Financial Statements

For the Years Ended August 31, 2020 and 2019

(Expressed in Canadian dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIDA RESOURCES INC.

Opinion

We have audited the consolidated financial statements of Lida Resources Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at August 31, 2020 and 2019;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2020 and 2019, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated 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 consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $930,705 during the year ended August 31, 2020 and, as of that date, had an accumulated deficit of $2,634,371. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 Management’s Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

Smythe CPA

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

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

In preparing the consolidated 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Hervé Leong-Chung

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

December 21, 2020

LIDA RESOURCES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at		**August 31, 2020**		**August 31, 2019**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	542,567	$	1,511
Accounts receivable		10,715		1,388
Prepaid expenses		3,603		7,630
Deferred financing cost (note 4)		-		77,210
		556,885		87,739
Mineral interests (note 3)		1,094,403		828,079
TOTAL ASSETS	$	1,651,288	$	915,818
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 6)	$	245,382	$	302,550
Due to related parties (note 6)		10,000		11,400
TOTAL LIABILITIES		255,382		313,950
EQUITY				
Share capital (note 4)		3,940,550		2,303,384
Reserves		105,455		-
Accumulated other comprehensive income		(15,728)		2,150
Deficit		(2,634,371)		(1,703,666)
TOTAL EQUITY		1,395,906		601,868
TOTAL LIABILITIES AND EQUITY	$	1,651,288	$	915,818

Nature of operations and going concern (note 1)
Subsequent event (note 10)

Approved and authorized for issue by the Board of Directors on December 21, 2020

/s/ "Leonard De Melt" *____________*
Leonard De Melt, Director

/s/ "Patrick Morris" *____________*
Patrick Morris, Director

LIDA RESOURCES INC.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	For the year ended August 31, 2020	For the year ended August 31, 2019
EXPENSES		
Bank charges	$ 6,517	$ 1,805
Consulting (note 6)	633,062	40,260
Exploration and evaluation costs (note 3)	84,047	150,476
Transfer agent, regulatory and listing fees	30,663	16,040
General and administrative (Note 6)	26,403	18,222
Professional fees	149,766	188,342
Travel	71	3,765
Loss before other expenses	(930,529)	(418,910)
Other income (expenses)		
Foreign exchange loss	(436)	(5,696)
Gain on sale of subsidiary (note 3)	-	1,349,242
Interest Income	260	-
Total other (expenses) income	(176)	1,343,546
Net (loss) income for the year	(930,705)	924,636
Other comprehensive (loss) income		
Item that may be reclassed to profit or loss:		
Foreign exchange (loss) gain on translation adjustment	(17,878)	6,965
Other comprehensive (loss) income for the year	$ (948,583)	$ 931,601
Basic and diluted (loss) income per share	$ (0.02)	$ 0.03
Weighted average number of common shares outstanding – basic and diluted	40,337,878	33,844,400

The accompanying notes are integral part of these consolidated financial statements

LIDA RESOURCES INC.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share capital					
	Number of shares	Amount	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance, August 31, 2018	31,561,334	$ 2,117,107	$ -	$ (4,815)	$ (223,846)	$ 1,888,446
Issuance of shares on private placement, net of share issue cost	3,316,262	186,277	-	-	-	186,277
Distribution of Fidelity Minerals Corp. shares and warrants	-	-	-	-	(2,404,625)	(2,404,625)
Currency translation adjustment	-	-	-	7,134	-	7,134
Unrealized foreign exchange gain on disposal of subsidiary	-	-	-	(169)	169	-
Net income for the year	-	-	-	-	924,636	924,636
Balance, August 31, 2019	34,877,596	2,303,384	-	2,150	(1,703,666)	601,868
Issuance of shares on private placement, net of share issue cost	19,496,000	1,543,418	111,828	-	-	1,655,246
Exercise of warrants	409,500	93,748	(6,373)	-	-	87,375
Currency translation adjustment	-	-	-	(17,878)	-	(17,878)
Net loss for the year	-	-	-	-	(930,705)	(930,705)
Balance, August 31, 2020	54,783,096	$ 3,940,550	$ 105,455	$ (15,728)	$ (2,634,371)	$ 1,395,906

The accompanying notes are integral part of these consolidated financial statements

LIDA RESOURCES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended		August 31, 2020		August 31, 2019
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net (loss) income	$	(930,705)	$	924,636
Gain on sale of subsidiary		-		(1,349,242)
Unrealized foreign exchange		436		1,407
Changes in non-cash working capital items:				
Accounts receivable		(9,327)		(640)
Prepaid expenses		4,027		(118)
Accounts payable and accrued liabilities		(57,833)		173,175
Due to related party		(1,400)		11,400
Net cash used by operating activities		(994,802)		(239,382)
FINANCING ACTIVITIES				
Shares issued on private placement, net of share issue costs		1,711,795		194,805
Exercise of warrants		87,375		-
Net cash provided by financing activities		1,799,170		194,805
INVESTING ACTIVITY				
Mineral interest additions		(263,312)		-
Net cash used in investing activity		(263,312)		
Increase (decrease) in cash		541,056		(44,577)
Cash, beginning of year		1,511		46,088
Cash, end of year	$	542,567	$	1,511

Supplemental cash-flow information				
Interest paid	$	-	$	-
Income taxes paid	$	-	$	-
Non-cash transactions				
Share issue costs included in accounts payable	$	-	$	20,661
Mineral interest costs included in accounts payable	$	42,188	$	45,130
Deferred financing costs included within share issue costs	$	77,210	$	-
Fair value of agent warrants granted	$	111,828	$	-
Disposition of net assets of Minera LBJ SAC for Fidelity Minerals shares (note 5)	$	-	$	(1,055,383)
Distribution of investment in Fidelity Minerals shares to Lida shareholders (note 5)	$	-	$	2,404,625

The accompanying notes are integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Lida Resources Inc. (the "Company") was incorporated pursuant to the Business Corporations Act of British Columbia on September 8, 2017 and is an exploration stage company focusing on mineral properties in Peru. The Company's head and registered and records office is located at Suite 2400, 525 8 Avenue SW, Calgary, Alberta, T2P 1G1.

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. The Company has not generated any revenues from operations and incurred a net loss of $930,705 during the year ended August 31, 2020. As at August 31, 2020, the Company has an accumulated deficit of $2,634,371 (August 31, 2019 - $1,703,666). Management expects the Company will incur further expenditures to acquire and develop its mineral properties and for administrative expenses. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of material uncertainties that may cast significant doubt on 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. Such adjustments could be material.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

The consolidated financial statements were authorized for issue by the Board of Directors on December 21, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Imperium Mining SAC (Peru) and Lida Resources SAC (Peru). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances and transactions have been eliminated on consolidation.

(c) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of judgment include the following:

(i) Functional currency

Determination of functional currency may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of the group if there is a change in events and conditions, which determined the primary economic environment. Management has determined that the functional currency for the Company is the Canadian dollar and the functional currency of the Peruvian subsidiaries is the Peruvian Sol.

(ii) Valuation of mineral interests

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 will flow to the Company.

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

In respect of costs incurred for its investment in exploration and evaluation assets, management has determined the acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Use of Estimates and Judgments (continued)

(iii) Going concern

The application of the going concern assumption requires management to consider 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 key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

(i) Deferred income tax assets

Valuation of deferred tax assets requires the Company to estimate the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities. The Company applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

(ii) Share-based consideration received

In estimating the fair value of share-based consideration received, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.

(d) Foreign Currency Translation

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which they operate. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The Company's Peruvian subsidiaries have a Peruvian Sol functional currency. Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions. All gain and losses on the translation are included in profit or loss.

The consolidated financial statements of subsidiaries that have a functional currency other than the Canadian dollar were translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statements of financial position, and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income (loss) as foreign currency translation adjustments.

(e) Cash and cash equivalents

Cash and cash equivalents is comprised of cash and cashable guaranteed investment certificates ("GIC") that are readily convertible to known amounts of cash with original maturities of three months or less. As at August 31, 2020, the Company had $500,000 (2019 - $Nil) of cash equivalents and $42,567 of cash (2019 - $1,511).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Mineral Interests

All of the Company's projects are currently in the exploration and evaluation phase.

(i) Pre-exploration costs

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

(ii) Exploration and evaluation assets and expenditures

Once the legal right to explore a property has been acquired, costs directly related to the acquisition of the exploration and evaluation assets are capitalized, on an area-of-interest basis. Subsequently the exploration and evaluation assets are carried at cost less any impairment, until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management, or sale.

Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred and included in profit or loss.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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 "mine development costs". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to property carrying values.

(g) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Non-Financial Assets (continued)

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in profit or loss.

(i) 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. 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. 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 consolidated statement of operations 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.

(j) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options, and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share options and are shown in equity as a deduction, net of tax, from the proceeds. Where the Company issued common shares and warrants together as units, value is allocated first to share capital based on the market value of common shares on the date of issue, with any residual value from the proceeds being allocated to the warrants.

(l) Share-based Compensation

The Company has a stock option plan, which grants stock options to the Company's directors, officers, employees, consultants and other personnel. 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 the options is measured using the Black-Scholes option pricing model and is recognized over the vesting period. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based compensation reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount to share-based compensation reserve is transferred to share capital. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss. For unexercised options that expire, the recorded value in share-based compensation reserve is transferred to deficit.

(m) 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 the consolidated statement of operations and comprehensive 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income Taxes (continued)

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 period 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.

(n) Financial Instruments

The following is the Company's accounting policy for financial instruments under IFRS 9 *Financial Instruments*:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company has classified its cash as FVTPL and its accounts payable and accrued liabilities and due to related parties at amortized cost.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations in the period in which they arise. Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are included as accumulated other comprehensive income and will not recycle to profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial Instruments (continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

Financial Liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive loss.

(o) Newly adopted accounting standards

Leases

The Company adopted the requirements of IFRS 16 *Leases* effective September 1, 2019. This new standard replaces IAS 17 *Leases* and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short term leases (lease term of 12 months or less) and low value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.

Upon the adoption of IFRS 16, the Company was not required to recognize any right of use assets and lease liabilities related to the Company's leased premises as the only lease outstanding at August 31, 2019 was a month-to-month contract.

(Expressed in Canadian dollars)

3. MINERAL INTERESTS

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties.

Mineral interest acquisition costs:

		San Vicente		**Las Huaquillas**		**Total**
Balance, August 31, 2018	$	827,375	$	1,050,710	$	1,878,085
Foreign currency adjustment		704		-		704
Disposition of Minera LBJ		-		(1,050,710)		(1,050,710)
Balance, August 31, 2019	$	828,079	$	-	$	828,079
Foreign currency adjustment		(16,778)		-		(16,778)
Acquisition costs		283,102		-		283,102
Balance, August 31, 2020	$	1,094,403		-		1,094,403

Exploration and evaluation costs for the years ended August 31:

		2020		**2019**
Licenses, taxes, and claim fees	$	3,741	$	6,791
Geology, lab, and other fees		112		13,487
Camp operations		6,565		19,017
Professional fees		9,605		7,598
Transportation		4,000		13,379
Community relations		1,185		24,471
Management and consulting		7,625		20,553
Rent		1,437		4,251
Wages and salaries		49,777		35,889
Environmental expenditures		-		4,680
	$	84,047	$	150,476

(Expressed in Canadian dollars)

3. MINERAL INTERESTS (continued)

San Vicente, Peru

On March 5, 2018, Imperium Mining SAC ("Imperium") acquired 100% of the San Vicente mineral property, which comprised of one mining concession located in the western side of the Central Andean Cordillera in Northern Peru. Imperium acquired the property by paying US$100,000, of which US$34,000 remained outstanding on August 31, 2020 (2019 – US$ 34,000). The funds were advanced by Lida prior to the Company acquiring Imperium.

On June 30, 2020, Imperium entered two agreements to acquire 400 hectares which encompass the Quiruvilca mine, the total acquisition cost to the Company was US$200,000 with no further obligations.

On July 7, 2020, the Company, through Imperium, staked 2,500 hectares in the vicinity of its San Vincente and Quiruvilca properties.

Las Huaquillas, Peru

On August 8, 2018, Minera LBJ acquired 44.5% of Rial, a Peruvian company. Rial owns a 100% interest in the Las Huaquillas mineral property located north of Lima, south of the Ecuadorian border.

On December 6, 2018, the Company entered into an agreement with Fidelity Minerals Corp. (formerly Montan Mining Corp.) ("Fidelity") to sell the Las Huaquillas property through the sale of its subsidiary,

Minera LBJ. The transaction was deemed to have closed on January 29, 2019. As consideration, the Company received 25,000,000 common shares (Fidelity Shares) and 12,500,000 share purchase warrants ("Fidelity Warrants") of Fidelity. The Fidelity Shares were fair valued on acquisition at $0.065 per share, the fair value of a Fidelity Share on the closing date. The Fidelity Warrants were valued at $0.062 per warrant. The fair value of the Fidelity Warrants was estimated using Black-Scholes options pricing model with the following weighted average assumptions: Estimated volatility 185.38%, Risk-free rate 1.89%, Dividend yield 0%, and Expected life 5 years.

Proceeds of disposition		
Value of Fidelity Shares	$	1,625,000
Value of Fidelity Warrants		779,625
Total proceeds		2,404,625
Net assets disposed		
Las Huaquillas mineral property		(1,050,710)
Other working capital items disposed		(4,673)
		(1,055,383)
Gain on disposition of Minera LBJ	**$**	**1,349,242**

4. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

During the year ended August 31, 2020, the following issuances occurred:

(i) On July 6, 2020, the Company issued 284,500 shares pursuant to the exercise of common share purchase warrants at a price of $0.25 per share for proceeds of $71,125.

(ii) On July 3, 2020, the Company issued 100,000 shares pursuant to the exercise of agent warrants at a price of $0.10 per share for proceeds of $10,000. The Company reclassified $6,373 from reserves to share capital upon the exercise of the warrants.

(iii) On June 9, 2020, the Company issued 25,000 shares pursuant to the exercise of common share purchase warrants at a price of $0.25 per share for proceeds of $6,250.

(iv) On May 22, 2020, the Company issued 19,496,000 units pursuant to the closing of it's initial public offering at a price of $0.10 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.25 for a period of 24 months.

The Company incurred share issuance costs of $406,182 related to the initial public offering, of which $77,210 were incurred in the previous year and presented as deferred financing costs. The share issuance costs consisted of brokers fees totalling $175,464, legal fees totalling $118,890 and the issuance of 1,754,640 agent warrants with a fair value of $111,828. The agent warrants entitle the holder to acquire one common share at $0.10 for 24 months.

During the year ended August 31, 2019, the following issuance occurred:

(i) Issued 2,382,929 shares for total proceeds of $166,805 at a price of $0.07 per share to investors and incurred $8,528 in share issue costs.

(ii) Issued 933,333 shares for total proceeds of $28,000 at a price of $0.03 per share to directors.

During the year ended August 31, 2019 the Company distributed the Fidelity Shares and Fidelity Warrants received on the sale of Minera LBJ to the shareholders of the Company by way of return of capital. In accordance with the terms of the arrangement, the Company transferred 100% of it's investment in the Fidelity Shares and Fidelity Warrants to its shareholders on a proportional basis. The value of the distribution was the same as the value of assigned to the Fidelity Shares and Fidelity Warrants received as the distribution was immediately following the acquisition of the securities.

(c) Stock option plan

On February 1, 2019, the Company adopted a stock option plan (the "Plan") to provide an incentive to directors, officers, employees, consultants and other personnel of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The exercise price of an Option granted under this Plan shall be as determined by the Board of Directors when such Option is granted and shall not be lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the option. All options are subject to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. As of August 31, 2020 and 2019, the Company has not granted any options.

(Expressed in Canadian dollars)

4. SHARE CAPITAL (continued)

(d) Common share purchase warrants

The common share purchase warrants issued were valued using the residual method. During the year ended August 31, 2020, total common share purchase warrants of 9,748,000 (2019 – nil) were issued with a residual value of $nil (2019 - $nil). At August 31, 2020, the Company had the following share purchase warrants outstanding and exercisable:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, August 31, 2018 and 2019	-	-
Issued	9,748,000	0.25
Exercised	(309,500)	0.25
Balance, August 31, 2020	9,438,500	0.25

Date of Expiry	Exercise Price ($)	August 31, 2020	August 31, 2019
May 22, 2022	0.25	9,438,500	-
Total Outstanding and Exercisable		9,438,500	-

(e) Agent warrants

The brokers' warrants were issued as consideration for brokers' fees and were valued using the Black-Scholes Option Pricing Model using the following input assumptions:

	August 31, 2020	August 31, 2019
Risk-free interest rate	0.29%	n/a
Estimated life	2 years	n/a
Expected volatility	128.45%	n/a
Expected dividend yield	0%	n/a

In estimating the fair value of agent warrants issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of comparable companies common share prices. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the share purchase warrant's expected life. The Company uses historical data to estimate agent warrant exercise and forfeiture within the valuation model. The Company has not paid dividends on its common stock to date.

(Expressed in Canadian dollars)

4. SHARE CAPITAL (continued)

(e) Agent warrants (continued)

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, August 31, 2018 and 2019	-	-
Issued	1,754,640	0.10
Exercised	(100,000)	0.10
Balance, August 31, 2020	1,654,640	0.10

Date of Expiry	Exercise Price ($)	August 31, 2020	August 31, 2019
May 22, 2022	0.10	1,654,640	-
Total Outstanding and Exercisable		1,654,640	-

5. FINANCIAL INSTRUMENTS AND RISKS

(a) Fair value Hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair values of other financial instruments, which include cash, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk of an unexpected loss if an exploration partner, counterparty or third party to a financial instrument fails to meet its contractual obligations. To reduce credit risk, cash is on deposit at major financial institutions. The carrying value of the financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. All of the Company's financial liabilities have contractual maturities of less than 90 days. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company will be required to raise additional capital in the future to fund its operations.

5. FINANCIAL INSTRUMENTS AND RISKS (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market price

a. 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 manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. The Company is not exposed to significant interest rate risk.

b. Foreign currency risk

The Company is exposed to foreign currency risk, as certain monetary financial instruments are denominated in US dollars ("US$") and Peruvian Soles ("Sol"). The carrying amounts of the Company's foreign currency denominated monetary assets are as follows:

	August 31, 2020		August 31, 2019	
	Sol	US$	Sol	US$
Cash	19,981	9,738	1,200	188
Accounts Payable	(128,178)	(47,551)	(112,466)	(33,760)

The Company has not entered any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the US$ and Sol by 5% would increase or decrease net loss by approximately $2,196 and $2,726, respectively.

c. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to such risk.

6. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2020, the Company incurred $27,200 (2019 - $27,000) of consulting fees to the Chief Executive Officer ("CEO").

During the year ended August 31, 2020, the Company incurred $7,500 (2019 - $Nil) of consulting fees, defined as general and administrative expenses in the consolidated statements of operations and comprehensive loss, to a company controlled by the Chief Financial Officer ("CFO").

During the year ended August 31, 2020, the Company incurred $46,551 (2019 - $18,000) of consulting fees, defined as Professional Fees in the consolidated statements of operations and comprehensive loss, to the former Chief Financial Officer ("CFO"). As of August 31, 2020, the Company had amounts due to the former CFO for $42,473 (2019 - $nil).

At August 31, 2020, the Company had amounts due to directors totaling $10,000 (2019 - $11,400) including $nil (2019 - $11,400) owed to the CEO of the Company.

All amounts due to related parties are without interest or stated terms of repayment.

(Expressed in Canadian dollars)

7. SEGMENTED INFORMATION

During the year ended August 31, 2020, the Company operated in one industry segment: mineral exploration; within the two geographic segments of Canada and Peru. The Company and all subsidiaries are operated as one entity with a common management located at the Company's head office in Canada. The Company's non-current assets at August 31, 2020 and August 31, 2019 are in Peru.

8. 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 cash and equity comprised of issued share capital.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through issuance of new shares 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 since incorporation.

9. INCOME TAX

(a) Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the applicable Canadian statutory income tax rate to income before income taxes. The significant reasons for the differences for the years ended August 31, 2020, and 2019 are as follows:

		2020		**2019**
Net (loss) income before income taxes		(930,705)		924,636
Canadian statutory income tax rate		27.00%		27.00%
Income tax (recovery) expense at statutory rate	$	(251,290)	$	249,652
Tax effect of:				
Differences between Canadian and foreign tax rates		-		(3,998)
Non-deducible/taxable items		-		(288,137)
Temporary differences and other		(231,351)		(3,044)
Impact of foreign exchange on tax assets and liabilities		-		(170)
Unrecognized deferred income tax assets		482,641		45,697
Income taxes	$	–	$	–

(Expressed in Canadian dollars)

9. INCOME TAX (continued)

(b) Unrecognized deferred tax assets and liabilities

The Company recognizes tax benefits on losses or other deductible amounts where it is more likely than not that the deferred tax asset will be realized. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts**:**

		2020		2019
Unrecognized deductible temporary differences and unused tax losses:				
Non-capital losses carried forward	$	1,200,741	$	342,530
Share issue cost		254,453		14,100
Mineral properties		14,102		14,102
Unrecognized deductible temporary differences	$	1,469,296	$	370,732

The Company's non-capital losses begin to expire in the year 2038.

10. SUBSEQUENT EVENT

On December 3, 2020, the Company agreed to a debt settlement and release with a related party through common directors. Under the terms of the agreement, the Company will settle $30,000 in debt through the issuance of 600,000 common shares. The transaction is subject to regulatory approval.