

INFLECTION RESOURCES LTD.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

NINE MONTHS ENDED JUNE 30, 2020 AND 2019

UNAUDITED

(Expressed in Canadian Dollars)

INFLECTION RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019 (UNAUDITED – SEE “NOTICE TO READER” BELOW)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the periods ended June 30, 2020 and 2019.

NOTICE TO READER OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of Inflection Resources Ltd. and the accompanying condensed consolidated interim statements of financial position as at June 30, 2020 and the condensed consolidated interim statements of comprehensive loss, statements of changes in equity and cash flows for the nine months ended June 30, 2020 and 2019 are the responsibility of the Company’s management. These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Dale Matheson Carr-Hilton Labonte LLP.

The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards. The Audit Committee of the Board of Directors, consisting of three members, has reviewed the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

“Alistair Waddell”

Alistair Waddell
Chief Executive Officer

August 28, 2020

“Alain Voisin”

Alain Voisin
Chief Financial Officer

August 28, 2020

Inflection Resources Ltd.
Condensed Consolidated Interim Statements of Financial Position
Unaudited
(Expressed in Canadian dollars)

	June 30, 2020	September 30, 2019
ASSETS		(Audited)
Current Assets		
Cash and cash equivalents	\$ 1,714,174	\$ 455,290
Other receivables	43,142	29,699
Prepaid expenses and deposits	112,982	39,915
Total current assets	1,870,298	524,904
Non-current assets		
Refundable security deposits (Note 3)	206,404	155,649
Exploration and evaluation assets (Note 5)	2,523,770	1,965,136
TOTAL ASSETS	\$ 4,600,472	\$ 2,645,689
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 412,594	\$ 318,071
Total liabilities	412,594	318,071
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	5,144,452	2,546,501
Share subscriptions received (Note 6)	-	280,200
Reserves (Note 6)	592,273	372,827
Deficit	(1,548,847)	(871,910)
Total shareholders' equity	4,187,878	2,327,618
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 4,600,472	\$ 2,645,689

Nature of operations and going concern – Note 1

Subsequent events – Note 9

APPROVED ON BEHALF OF THE BOARD ON AUGUST 28, 2020:

“Alistair Waddell”

DIRECTOR

“Cecil Bond”

DIRECTOR

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Inflection Resources Ltd.
Condensed Consolidated Interim Statements of Comprehensive Loss
Unaudited
(Expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Expenses				
Consulting fees (Note 7)	\$ 12,600	\$ 57,210	\$ 120,113	\$ 164,354
Investor communication	16,920	19,767	18,799	24,248
Office and miscellaneous	4,944	1,721	19,576	5,052
Professional fees	25,289	2,960	92,285	22,387
Salaries and benefits (Note 7)	28,416	2,377	77,549	2,377
Share-based compensation (Notes 6 and 7)	176,719	-	219,446	372,827
Travel and meals	6,580	16,315	72,790	47,314
Total expenses	(271,468)	(100,350)	(620,558)	(638,559)
Other items				
Foreign exchange gain (loss)	4,601	2,282	(486)	(2,577)
Interest income	8,220	-	13,151	-
Impairment (Note 5)	(69,044)	-	(69,044)	-
Net loss and comprehensive loss	\$ (327,691)	\$ (98,068)	\$ (676,937)	\$ (641,136)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	43,163,184	29,267,232	38,666,359	29,177,968

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Inflection Resources Ltd.
Condensed Consolidated Interim Statements of Changes in Equity
For the nine months ended June 30, 2020 and 2019
Unaudited
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Deficit	Total
Balance, September 30, 2018	28,215,001	\$ 1,725,001	\$ -	\$ -	\$ (96,421)	\$ 1,628,580
Shares issued for exploration and evaluation assets	300,000	60,000	-	-	-	60,000
Shares issued for private placements	2,615,000	779,500	-	-	-	779,500
Share issuance costs	-	(18,000)	-	-	-	(18,000)
Share-based compensation	-	-	-	372,827	-	372,827
Net loss for the period	-	-	-	-	(641,136)	(641,136)
Balance, June 30, 2019	31,130,001	\$ 2,546,501	\$ -	\$ 372,827	\$ (737,557)	\$ 2,181,771
Balance, September 30, 2019	31,130,001	\$ 2,546,501	\$ 280,200	\$ 372,827	\$ (871,910)	\$ 2,327,618
Shares issued for private placements (Note 6)	12,033,183	2,647,300	(280,200)	-	-	2,367,100
Share issuance costs (Note 6)	-	(49,349)	-	-	-	(49,349)
Share-based compensation (Note 6)	-	-	-	219,446	-	219,446
Net loss for the period	-	-	-	-	(676,937)	(676,937)
Balance, June 30, 2020	43,163,184	\$ 5,144,452	\$ -	\$ 592,273	\$ (1,548,847)	\$ 4,187,878

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Inflection Resources Ltd.
Condensed Consolidated Interim Statements of Cash Flows
Unaudited
(Expressed in Canadian dollars)

	For the nine months ended	
	June 30, 2020	June 30, 2019
Operating activities		
Net loss for the period	\$ (676,937)	\$ (641,136)
Non-cash items:		
Share-based compensation	219,446	372,827
Impairment of exploration and evaluation assets	69,044	-
Changes in non-cash working capital items:		
Other receivables	(13,443)	(7,244)
Prepaid expenses and deposits	(102,515)	-
Accounts payable and accrued liabilities	79,688	110,652
Net cash flows used in operating activities	(424,717)	(164,901)
Investing activities		
Additions to exploration and evaluation assets	(588,972)	(763,104)
Net cash paid on acquisition of Romardo Copper	(12,271)	-
Payment of refundable security deposits	(27,230)	(28,236)
Net cash flows used in investing activities	(628,473)	(791,340)
Financing activities		
Proceeds on issuance of shares	2,367,100	770,500
Share issuance costs	(49,349)	(9,000)
Net cash flows provided by financing activities	2,317,751	761,500
Effect of foreign exchange	(5,677)	3,043
Change in cash and cash equivalents	1,258,884	(191,698)
Cash and cash equivalents, beginning of period	455,290	525,413
Cash and cash equivalents, end of period	\$ 1,714,174	\$ 333,715
Cash and cash equivalents consist of:		
Cash	\$ 249,174	\$ 333,715
Redeemable GIC	1,465,000	-
	\$ 1,714,174	\$ 333,715
Non-cash investing and financing activities:		
Shares issued for finders' fees	\$ -	\$ 9,000
Shares issued for exploration and evaluation assets	\$ -	\$ 60,000

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Inflection Resources Ltd. (the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 9, 2017 and its principal business activity is the exploration and evaluation of mineral properties located in New South Wales and Queensland, Australia. The Company's head office and registered and records office address is Suite 1100 – 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

The Company has three wholly-owned subsidiaries: Australian Consolidated Gold Holdings Pty Ltd, ACGH II Pty Ltd and Romardo Copper (NSW) Pty Ltd ("Romardo Copper").

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets may not reflect current or future values.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at June 30, 2020, the Company has not yet achieved profitable operations, incurred a net loss of \$676,937 (June 30, 2019 - \$641,136) in the current period and has an accumulated deficit of \$1,548,847 (September 30, 2019 - \$871,910). The ability of the Company to continue as a going concern and meet its commitments as they become due, including exploration of its exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

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. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. BASIS OF PREPARATION

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2019, except as noted below. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Critical accounting estimates and judgments

The preparation of these unaudited condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. The significant accounting judgements, estimates and assumptions in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 2 of the Company's audited financial statements as at and for the year ended September 30, 2019.

Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses on translation are included in profit and loss.

Consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Australian Consolidated Gold Holdings Pty Ltd, ACGH II Pty Ltd and Romardo Copper. All intercompany balances and transactions have been eliminated upon consolidation.

3. REFUNDABLE SECURITY DEPOSITS

As at June 30, 2020, the Company provided refundable security deposits, each representing a mineral property exploration license held with the Government of New South Wales Department of Planning and Environment as follows:

	AI Project	Northern NSW Project	Total
Balance, September 30, 2018	\$ 39,204	\$ 88,209	\$ 127,413
Additions	9,192	19,044	28,236
Balance, September 30, 2019	48,396	107,253	155,649
Additions	-	45,078	45,078
Fair value adjustment	(1,486)	7,163	5,677
Balance, June 30, 2020	\$ 46,910	\$ 159,494	\$ 206,404

Eleven of these security deposits were acquired pursuant to the assignment agreements with Ore Capital Partners Ltd. ("Ore Capital") described in Note 5(a), and eleven security deposits were paid subsequently, including five in the current period. Each deposit is valued at AUD\$10,000 (CDN \$9,382) per license held.

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

4. ACQUISITION OF ROMARDO COPPER

On February 11, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Romardo Copper in exchange for AUD\$13,233 (\$12,289) (Note 5(b)). The acquisition was treated as an asset acquisition. The assets and liabilities were recorded at their fair value with the excess of the consideration over the net assets acquired allocated to exploration and evaluation assets acquired.

Romardo Copper is a mineral exploration company incorporated in Australia. Romardo Copper owns 100% of the rights, title and interest in two exploration licenses located in New South Wales, Australia.

The acquisition was recorded as follows:

Fair value of consideration		
Cash	\$	12,289
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Cash		18
Loan receivable		222
Exploration and evaluation asset		29,862
Refundable security deposit		17,848
Loan from the Company		(44,503)
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Net identifiable assets acquired		3,447
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Excess allocated to exploration and evaluation assets	\$	8,842

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

As at June 30, 2020, the Company's exploration and evaluation assets consisted of cumulative expenditures incurred as follows:

	AI Project	Northern NSW Project	Carron Project	Total
<i>Acquisition costs:</i>				
Balance, September 30, 2018	\$ 157,337	\$ 424,869	\$ 95,214	\$ 677,420
Additions for the year:	60,000	-	-	60,000
Balance, September 30, 2019	217,337	424,869	95,214	737,420
Additions for the period:	-	26,818	-	26,818
Balance, June 30, 2020	217,337	451,687	95,214	764,238
<i>Deferred exploration costs:</i>				
Balance, September 30, 2018	88,979	297,632	-	386,611
Additions for the year:				
Administration and maintenance	6,027	12,153	-	18,180
Assay costs	4,295	-	-	4,295
Claim management fees	25,429	87,888	-	113,317
Geophysics	-	173,515	145,785	319,300
Geological services	156,496	213,734	4,000	374,230
Travel, food and accommodation	11,618	165	-	11,783
Total additions	203,865	487,455	149,785	841,105
Balance, September 30, 2019	292,844	785,087	149,785	1,227,716
Additions for the period:				
Administration and maintenance	1,300	50,930	1,484	53,714
Assay costs	18,451	-	-	18,451
Claim management fees	15,862	110,506	10,424	136,792
Drilling	-	53,563	-	53,563
Equipment	-	39,547	-	39,547
Geophysics	-	6,541	1,103	7,644
Geological services (Note 7)	41,317	220,487	14,643	276,447
Travel, food and accommodation	110	14,592	-	14,702
Total additions	77,040	496,166	27,654	600,860
Write-down of properties:	(69,044)	-	-	(69,044)
Balance, June 30, 2020	300,840	1,281,253	177,439	1,759,532
Balance, September 30, 2019	\$ 510,181	\$ 1,209,956	\$ 244,999	\$ 1,965,136
Balance, June 30, 2020	\$ 518,177	\$ 1,732,940	\$ 272,653	\$ 2,523,770

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Artificial Intelligence, Northern New South Wales and Carron Projects

On December 31, 2017, the Company entered into an assignment agreement whereby the rights and obligations of certain agreements were assigned to the Company in exchange for 15,895,000 common shares of the Company with a fair value of \$500,000 based on expenditures previously incurred. The assets subject to these agreements constitute the Artificial Intelligence ("AI") Project (Note 5(a)), the Northern New South Wales Project (Note 5(b)) and the Carron Project (Note 5(c)) as more fully described below. The \$500,000 paid, less \$127,413 recognized as refundable security deposits, was allocated as follows: \$157,337 to the AI project, \$120,036 to the Northern NSW Project and \$95,214 to the Carron Project.

a) AI Project (New South Wales)

On December 31, 2017, the Company took assignment of an Exploration Alliance Agreement (the "Agreement") dated May 1, 2017 under which the Company acquired the rights from the Licensor to use proprietary neural network data to assist in targeting potential projects, each a "Project Area", in the Lachlan Fold Belt located in New South Wales, Australia for a three year term ending May 1, 2020 (the "License Period") that was subsequently extended to July 31, 2021 (Note 9). Under the Agreement, the Company agreed to the following consideration and optional expenditures solely at the discretion of the Company:

1. Cash payments of US\$60,000 (paid).
2. During the License Period, the Company will incur at least US\$250,000 (incurred) in exploration expenditures within the area covered by the proprietary data.
3. The Company will pay the Licensor a fee of US\$10,000 for any Project Area selected by the Company, as defined in the Agreement, within seven days of the Project Area becoming effective.
4. The Company will pay the Licensor a fee equal to 5% of all expenditures incurred on any Project Area, as defined in the Agreement.
5. For each mine established within a Project Area, the Licensor will receive a 2.0% net smelter royalty of which the Company may purchase 0.5% for US\$1,000,000 at any time.
6. As at June 30, 2020, the Company had acquired five exploration licenses using the proprietary data but has not designated any Project Areas.
7. Subsequent to the License Period and until May 1, 2023, the Company may acquire an interest in a mineral property within the area covered by the proprietary data by paying a 5% fee on all quarterly exploration expenditures incurred on the property by way of cash or shares.
8. Subsequent to May 1, 2023, the Company may acquire an interest in a mineral property within the area covered by the proprietary data with no further compensation to the Licensor.

The Company and the Licensor entered into a supplemental agreement whereby the Company agreed to pay CDN\$60,000 to exclude certain properties from the area covered by the proprietary data. On February 14, 2019, the Company settled the amount owing through the issuance of 300,000 common shares at \$0.20 per share to the Licensor.

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) AI Project (Northern New South Wales) (continued)

The Company has acquired five exploration licenses using the proprietary data but does not plan any further exploration on four of the licenses, and accordingly \$69,044 in exploration costs were written off during the period ended June 30, 2020 (Note 9).

The Company has not designated any Project Areas.

b) Northern New South Wales Project (Northern New South Wales)

The Northern New South Wales project consists of seventeen 100% owned exploration licenses located in the Lachlan Fold Belt region of New South Wales, Australia. Eleven of the licenses were acquired pursuant to a Binding Term Sheet that was subsequently replaced by a Superseding Agreement. Two of the licenses were acquired pursuant to the acquisition of Romardo Copper (Note 4). Four of the licenses were staked by the Company directly.

On December 31, 2017, the Company took assignment of a Binding Term Sheet (the "Term Sheet") dated June 6, 2017 under which the Company agreed to acquire 100% interest in exploration licenses and applications (the "Licenses") in Northern New South Wales, Australia. The Term Sheet was subsequently superseded in an agreement dated July 1, 2018 (together the "Agreements") which amended the terms for the acquisition of the licenses. Pursuant to the Agreements, consideration paid or payable to the Vendor for the acquisition of the Licenses is as follows:

1. The Company made combined payments of AUD\$205,000 (paid) upon the execution of the Term Sheet, and towards the cost of lodging and acquiring the Licenses.
2. The Company shall incur AUD\$500,000 (completed) in exploration expenditures on the Licenses by June 6, 2018.
3. The Company shall make payment of AUD\$25,000 (paid subsequent to period end (Note 9)).
4. The Company shall issue 2,805,000 common shares of the Company (issued July 1, 2018 with a fair value of \$280,500).
5. The Company shall pay a 2% net smelter return royalty to the Vendor from any future production, of which the Company may purchase 1% for AUD\$3,000,000 at any time.
6. The Company shall pay a success fee to the Vendor upon the successful listing of the Company's common shares on a public stock exchange, or it being taken public in any other manner, of AUD\$5,000 per License up to a maximum of AUD\$60,000, payable half in cash and half in shares of the Company at an agreed price of the greater of \$0.05 per share or the 30-day volume weighted average price (AUD\$55,000 paid subsequent to period end (Note 9)).

On September 6, 2018, the Company entered into a Term Sheet (the "Term Sheet") with the same Vendor to acquire a 100% interest, subject to a 2% net smelter return royalty, in two exploration licenses located in northern New South Wales. The Term Sheet was subsequently replaced by an Asset Purchase and Sale Agreement dated February 26, 2019 that was amended on November 22, 2019 and further amended on December 31, 2019 before the transaction closed on February 11, 2020, in which the Company agreed to acquire 100% ownership interest in Romardo Copper, a private Australian company that holds the two exploration licenses, for the following consideration and optional expenditures at the discretion of the Company (Note 4):

1. The Company paid AUD\$30,000 upon completion of due diligence.

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

b) Northern New South Wales Project (Northern New South Wales) (continued)

2. The Company shall pay AUD\$20,000 to the Vendors for reimbursement of security deposits upon the Company's successful listing on a public stock exchange (paid subsequent to period end (Note 9)).
3. The Company shall pay AUD\$500,000 in cash or common shares of the Company upon completion of a pre-feasibility study.
4. The Company shall pay AUD\$2,000,000 in cash or common shares of the Company upon completion of a feasibility study.
5. The Company shall pay AUD\$6,000,000 upon the Company's decision to commence construction of a commercial mine.
6. The mineral licenses are subject to a 2% net smelter return royalty of which the Company may purchase 1% for AUD\$2,000,000 at any time, and the Company has the right of first refusal to purchase any royalty interest offered for sale by consideration payable in cash.

c) Carron Project (Queensland)

On December 31, 2017, the Company took assignment of an Exploration Farm-In Agreement (the "Farm-In Agreement") dated March 15, 2017, under which the Company may earn up to a 100% participating interest in a Joint Venture Property to acquire, explore and develop an exploration license in Queensland, Australia. Under the terms of the Farm-In Agreement, and its subsequent amendments dated December 20, 2018 and November 22, 2019, the Company agreed to the following, solely as optional expenditures at the discretion of the Company:

1. The Company may earn a 50% participating interest in the Joint Venture Property (earned) by incurring no less than AUD\$297,172 (incurred) (the "Minimum Expenditure") on or before September 30, 2019 (the "Initial Earn-In Date"), including the completion of an airborne magnetics survey and a reimbursement of AUD\$50,000 (paid) for costs already incurred by the Optionor (the "Stage 1 Earn-in").
2. The Company may earn a further 20% interest to bring its participation interest to 70% if it elects within three years of the Initial Earn-in Date to incur a further AUD\$1,000,000 in mineral exploration expenditures, with a substantial portion being the cost of drilling (the "Stage 2 Earn-in").
3. Following the Stage 2 Earn-in Date, the Company may elect at its sole discretion to either:
 - i) Acquire a further 30% interest to bring its participation interest to 100% by issuing a number of common shares of the Company to the Optionor based on a formula determined by an independent valuator; or
 - ii) Acquire a further 20% interest to bring its participation interest to 90% by completing a feasibility study (the "Stage 3 Earn-in"). Where the Company achieves a Stage 3 Earn-in, the Company shall enter into a Royalty Deed agreement with the Optionor. Within 60 days of the Stage 3 Earn-in Date, the Optionor may elect to contribute to expenditures in proportion to its 10% participating interest in a bankable feasibility study and if the Optionor does not make such election, then its 10% interest shall be converted into a royalty.

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

6. SHARE CAPITAL

- a) Authorized: an unlimited number of common shares without par value.

Issued: as at June 30, 2020, there are 43,163,184 (September 30, 2019: 31,130,001) common shares issued and outstanding.

b) Share Issuances

Share capital transactions were as follows:

Nine months ended June 30, 2020

- i) On December 19, 2019, the Company completed the first tranche of a private placement consisting of 5,768,638 units at \$0.22 for total gross proceeds of \$1,269,100. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 and is exercisable until June 19, 2022. The Company paid a cash finder's fee of \$35,152 in connection with the first tranche of the private placement.
- ii) On January 31, 2020, the Company closed the final tranche of the private placement consisting of 6,264,545 units at \$0.22 for total gross proceeds of \$1,378,200. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 and is exercisable until July 31, 2022. A 6% commission comprised of \$14,196 cash was paid on \$214,500 of the final tranche.

c) Stock Options

The Company has a stock option plan under which it is authorized to grant share purchase options of up to a maximum of 10% of the issued and outstanding common shares of the Company to executive officers, directors, employees and consultants enabling the holder to acquire common shares of the Company. Vesting is at the discretion of the Board of directors. In the absence of a vesting schedule, such options shall vest immediately.

As at June 30, 2020, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding, September 30, 2018	-	\$	-
Granted	2,210,000		0.20
Cancelled	(200,000)		0.20
Outstanding, September 30, 2019	2,010,000	\$	0.20
Granted	1,980,000		0.30
Outstanding, June 30, 2020	3,990,000		0.25
Exercisable, June 30, 2020	2,010,000	\$	0.20

The Company applies the fair value method in accounting for its stock options using the Black-Scholes Option Pricing Model using the following estimates:

Inflection Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended June 30, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

c) Stock Options (continued)

	June 30, 2020	September 30, 2019
Risk-free rate	0.54%	1.44%
Expected life of options	5 years	5 years
Expected annualized volatility	125%	125%
Expected dividend rate	-	-

As at June 30, 2020, the following options were outstanding:

Expiry Date	Number of Options	Weighted Average Exercise Price \$	Weighted Average Exercise Period (Years)
March 21, 2024	2,010,000	0.20	3.73
March 10, 2025	1,980,000	0.30	4.65
	3,990,000	0.25	4.21

d) Warrants

	Number of Warrants	Weighted Average Exercise Price \$
Outstanding, September 30, 2019	-	\$ -
Issued	15,490,001	0.30
Outstanding, June 30, 2020	15,490,001	\$ 0.30

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

Expiry Date	Number of Warrants	Weighted Average Exercise Price \$	Weighted Average Exercise Period (Years)
June 19, 2022	9,225,456	0.30	1.97
July 31, 2022	6,264,545	0.30	2.08
	15,490,001	0.30	2.02

On December 19, 2019, the Company issued 3,456,818 share purchase warrants to subscribers of the private placement which closed on April 5, 2019 and 5,768,638 share purchase warrants were issued as part of the units subscribed in the private placement which closed on December 19, 2019 (Note 7). Each share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 and is exercisable until June 19, 2022.

Inflection Resources Ltd.

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Unaudited

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6. SHARE CAPITAL (continued)

d) Warrants (continued)

On January 31, 2020, the Company issued 6,264,545 share purchase warrants to subscribers of the private placement which closed on January 31, 2020. Each share purchase warrant entitles the holder to acquire one common share at a price of \$0.30 and is exercisable until July 31, 2022.

e) Reserves

The reserves account consists of amounts recognized as share-based compensation expense until such time as the share options are exercised, upon which the corresponding amount will be transferred to share capital.

7. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the Chief Executive Officer, the Chief Financial Officer, as well as the Vice President, Exploration and Corporate Secretary. Key management personnel compensation is comprised of the following:

	For the nine months ended	
	June 30, 2020	June 30, 2019
Consulting fees	\$ 63,983	\$ 52,350
Salaries and benefits	71,316	3,328
Geological consulting capitalized (Note 5)	190,985	138,750
Share-based compensation (Note 6)	219,446	372,827
	\$ 545,730	\$ 566,155

During the nine months ended June 30, 2020, the Company incurred \$22,500 (2019: \$26,250) in consulting fees and \$22,500 (2019: \$78,750) in consulting fees capitalized to geological services payable to a company controlled by the CEO of the Company (Note 7(b)).

During the nine months ended June 30, 2020, the Company incurred \$49,500 (2019: \$Nil) in salary and \$49,500 (2019: \$Nil) in salary capitalized to geological services payable to a company controlled by the CEO of the Company (Note 7(b)).

During the nine months ended June 30, 2020, the Company incurred \$40,000 (2019: \$25,000) in consulting fees payable to a company controlled by the CFO of the Company.

During the nine months ended June 30, 2020, the Company incurred fees of \$120,468 (2019: \$60,000) paid to a Company controlled by the VP Exploration of the Company, of which \$118,985 (2019: \$60,000) was capitalized to geological services and \$1,483 (2019: \$Nil) expensed as consulting fees.

During the nine months ended June 30, 2020, the Company incurred \$18,750 (2019: \$3,328) in consulting fees and salaries to the Corporate Secretary.

During the nine months ended June 30, 2020, the Company incurred \$3,066 (2019: \$Nil) in group health benefits.

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7. RELATED PARTY TRANSACTIONS (continued)

a) Key Management Compensation (continued)

During the nine months ended June 30, 2020, the Company granted 1,980,000 stock options to officers and directors of the Company with a fair value of \$354,438 which is being amortized over the six month vesting period. During the nine months ended June 30, 2019, the Company granted 2,010,000 stock options to officers and directors of the Company with a fair value of \$339,087.

b) Related Party Transactions

During the nine months ended June 30, 2020, the following transactions with related parties (including companies controlled and/or owned by related parties) not disclosed elsewhere in the financial statements occurred.

The Company has executed a management agreement with the President and Chief Executive Officer effective January 1, 2020 for no fixed term. As compensation for the services to be provided, the Executive will receive a monthly salary of \$16,500.

The Company has executed a consulting agreement with a company controlled by the Vice President, Exploration effective January 1, 2020 for a two-year term. As compensation for the services to be provided, the Officer will receive a monthly fee of AUD\$16,500.

The Company was party to a Strategic Consulting Agreement with Ore Capital dated July 1, 2018 that was amended on September 1, 2019. As compensation for the services provided, the Company paid a monthly fee of \$10,000 from July 1, 2018 until August 31, 2019, and a monthly fee of \$5,000 from September 1, 2019 until the expiry of the agreement on February 29, 2020. During the nine months ended June 30, 2020, the Company incurred \$25,000 (2019: \$60,000) in consulting fees payable to Ore Capital.

On December 19, 2019, Ore Capital participated in a private placement by subscribing to 150,000 units at \$0.22 per unit (Note 6).

Included in accounts payable and accrued liabilities at June 30, 2020 is \$218,555 (September 30, 2019: \$246,925) due to related parties.

8. SEGMENTED INFORMATION

The Company has one operating segment, the exploration of mineral properties, and two geographic segments, with all current exploration activities being conducted in Australia.

	June 30, 2020		
	Canada	Australia	Total
Current assets	\$ 1,845,888	\$ 24,410	\$ 1,870,298
Refundable security deposits	-	206,404	206,404
Exploration and evaluation assets	-	2,523,770	2,523,770
Total assets	\$ 1,845,888	\$ 2,754,584	\$ 4,600,472

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8. SEGMENTED INFORMATION (continued)

	September 30, 2019		
	Canada	Australia	Total
Current assets	\$ 494,989	\$ 29,915	\$ 524,904
Refundable security deposits	-	155,649	155,649
Exploration and evaluation assets	-	1,965,136	1,965,136
Total assets	\$ 494,989	\$ 2,150,700	\$ 2,645,689

9. SUBSEQUENT EVENTS

a) Initial Public Offering

On July 17, 2020, the Company completed an initial public offering (the "IPO") of 14,000,000 units (each, a "Unit") at a price of \$0.25 per Unit to raise gross proceeds of \$3,500,000. Each Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one common share in the capital of the Company at an exercise price of \$0.40 for a period of 18 months following the closing date. If, following the closing of the IPO, the closing price of the common shares in the capital of the Company on the Canadian Securities Exchange (the "CSE") is equal to or greater than \$0.80 for any 10 consecutive trading days, the Company may, upon providing written notice to the holders of the warrants, accelerate the expiry date of the warrants to the date that is 30 days following the date of such written notice.

Haywood Securities Inc. acted as agent (the "Agent") for the IPO. The Agent received an 8% cash commission of \$280,000, a corporate finance fee of \$25,000 and, together with its selling group, an aggregate of 1,120,000 non-transferable compensation options (the "Compensation Options") equal to 8% of the number of Units sold. Each Compensation Option will be exercisable at \$0.25 per Compensation Option for a period of eighteen (18) months following the closing date to acquire one common share and one-half of one non-transferable warrant. Each whole compensation warrant will be exercisable to purchase one common share at \$0.40 for a period of 18 months from the closing date, subject to the same acceleration clause as the unit warrants.

The Company's common shares were listed on the CSE on July 16, 2020 and began trading on July 21, 2020 under the symbol "AUCU".

b) AI Project

By a letter agreement dated July 29, 2020, the License Period under the Exploration Alliance Agreement described in Note 5(a) was extended to July 31, 2021.

In July 2020, the Company advised the NSW Department of Planning, Industry and Environment that it intended to voluntarily relinquish four exploration licenses.

c) Northern New South Wales Project

In August 2020, the Company paid AUD \$25,000 and a success fee of AUD \$55,000 to the vendors of eleven exploration licenses acquired under the Superseding Agreement described in Note 5(b).

In August 2020, the Company paid AUD \$20,000 to the vendors of Romardo Copper for the refund of security deposits under the Asset Purchase and Sale Agreement described in Note 5(b).

Inflection Resources Ltd.

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9. SUBSEQUENT EVENTS (continued)

d) Exercise of Compensation Options

On August 27, 2020, 105,600 Compensation Options described in Note 9 (a) were exercised for total proceeds of \$26,400.

e) Incentive Stock Option Grant

On August 26, 2020, 300,000 incentive stock options exercisable at \$0.55 per common share were granted to an investor relations consultant. The stock options have a two-year term and are subject to a 12 month vesting period with 25% of the options vesting every three months.