



INFLECTION RESOURCES LTD.

An exploration stage company

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Inflection Resources Ltd.

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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



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

August 28, 2021



An independent firm
associated with Moore
Global Network Limited

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

	Notes	September 30, 2020	September 30, 2019
ASSETS			
Current Assets			
Cash and cash equivalents	3	\$ 4,054,221	\$ 455,290
Other receivables		105,081	29,699
Prepaid expenses and deposits		26,200	39,915
Total current assets		4,185,502	524,904
Non-current assets			
Refundable security deposits	5, 6, 7	216,671	155,649
Exploration and evaluation assets	6, 7, 10	3,178,558	1,965,136
TOTAL ASSETS		\$ 7,580,731	\$ 2,645,689
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8, 10	\$ 495,882	\$ 318,071
Total liabilities		495,882	318,071
SHAREHOLDERS' EQUITY			
Share capital	9	8,118,449	2,546,501
Share subscriptions received	9	-	280,200
Reserve	9	875,697	372,827
Deficit		(1,909,297)	(871,910)
Total shareholders' equity		7,084,849	2,327,618
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 7,580,731	\$ 2,645,689

Nature of operations and going concern – Note 1
Subsequent events – Note 14

APPROVED ON BEHALF OF THE BOARD ON JANUARY 28, 2021:

"Alistair Waddell"

"Cecil Bond"

DIRECTOR

DIRECTOR

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

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

	Notes		For the year ended September 30, 2020		For the year ended September 30, 2019
Expenses					
Share-based compensation	9, 10	\$	364,316	\$	372,827
Consulting fees	10		136,613		218,049
Salaries and benefits	10		108,739		5,047
Professional fees			96,257		57,198
Travel and meals			82,149		78,504
Listing and filing fees			62,534		-
Office and miscellaneous			56,234		11,406
Investor communication			49,434		27,530
Total expenses			956,276		770,561
Other items					
Foreign exchange			33,426		4,928
Interest income			(21,359)		-
Write-down of exploration and evaluation assets	7		69,044		-
Total other items			81,111		4,928
Net loss and comprehensive loss		\$	1,037,387	\$	775,489
Loss per share – basic and diluted		\$	0.02	\$	0.03
Weighted average number of common shares outstanding – basic and diluted			42,709,820		29,669,987

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

Inflection Resources Ltd.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars, except share amounts)

	Number of Shares	Share Capital	Share Subscriptions Received	Reserve	Deficit	Total
Balance, September 30, 2018	28,215,001	\$ 1,725,001	\$ -	\$ -	\$ (96,421)	\$ 1,628,580
Shares issued for exploration and evaluation assets (Note 7)	300,000	60,000	-	-	-	60,000
Shares issued for private placements	2,615,000	779,500	-	-	-	779,500
Proceeds received for share subscriptions	-	-	280,200	-	-	280,200
Share issue costs	-	(18,000)	-	-	-	(18,000)
Share-based compensation	-	-	-	372,827	-	372,827
Net loss for the year	-	-	-	-	(775,489)	(775,489)
Balance, September 30, 2019	31,130,001	\$ 2,546,501	\$ 280,200	\$ 372,827	\$ (871,910)	\$ 2,327,618
Shares issued pursuant to private placements	12,033,183	2,647,300	(280,200)	-	-	2,367,100
Shares issued pursuant to IPO	14,000,000	3,500,000	-	-	-	3,500,000
Shares issued for agent option exercises	125,030	48,637	-	(17,379)	-	31,258
Shares issued for warrant exercises	67,500	27,000	-	-	-	27,000
Share issue costs	-	(650,989)	-	155,933	-	(495,056)
Share-based compensation	-	-	-	364,316	-	364,316
Net loss for the year	-	-	-	-	(1,037,387)	(1,037,387)
Balance, September 30, 2020	57,355,714	\$ 8,118,449	\$ -	\$ 875,697	\$ (1,909,297)	\$ 7,084,849

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

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

	For the year ended	
	September 30, 2020	September 30, 2019
Operating activities		
Net loss for the year	\$ (1,037,387)	\$ (775,489)
Non-cash items:		
Share-based compensation	364,316	372,827
Write-down of exploration and evaluation assets	69,044	-
Changes in non-cash working capital items:		
Other receivables	(75,382)	(14,965)
Prepaid expenses and deposits	(15,733)	(39,915)
Accounts payable and accrued liabilities	162,976	215,060
Net cash flows used in operating activities	\$ (532,166)	\$ (242,482)
Investing activities		
Additions to exploration and evaluation assets	(1,243,762)	(840,892)
Cash acquired on acquisition of Romardo Copper	18	-
Cash paid for acquisition of Romardo Copper	(12,289)	-
Payment of refundable security deposits	(42,876)	(28,236)
Net cash flows used in investing activities	\$ (1,298,909)	\$ (869,128)
Financing activities		
Proceeds on issuance of shares	5,867,100	1,050,700
Proceeds from exercise of agent compensation options	31,258	-
Proceeds from exercise of warrants	27,000	-
Cash paid for share issue costs	(495,056)	(9,000)
Net cash flows provided by financing activities	\$ 5,430,302	\$ 1,041,700
Effect of foreign exchange	(296)	(213)
Change in cash and cash equivalents	3,598,931	(70,123)
Cash and cash equivalents, beginning of period	455,290	525,413
Cash and cash equivalents, end of period	\$ 4,054,221	\$ 455,290
Cash and cash equivalents consist of:		
Cash	\$ 135,221	\$ 455,290
Redeemable GIC	3,919,000	-
	\$ 4,054,221	\$ 455,290
Non-cash investing and financing activities:		
Equity issued as finders' and agent fees	\$ 155,933	\$ 9,000
Shares issued for exploration and evaluation assets	\$ -	\$ 60,000

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

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Inflection Resources Ltd. ("Inflection" or 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's common shares ("Common Shares") were listed for trading on the Canadian Securities Exchange (the "CSE") on July 21, 2020.

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 consolidated financial statements for the years ended September 30, 2020 and 2019 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 September 30, 2020, the Company has not yet achieved profitable operations, incurred a net loss of \$1,037,387 (2019 - \$775,489) and has an accumulated deficit of \$1,909,297 (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 ("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. As of the date these financial statements are issued, COVID-19 has had no impact on the Company's ability to access and explore its current properties but may impact the Company's ability to raise money or explore its properties should travel restrictions in Australia be extended or expanded in scope. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation and presentation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries, Australian Consolidated Gold Holdings Pty Ltd, ACGH II Pty Ltd and Romardo Copper (NSW) Pty Ltd ("Romardo Copper"), each of which is incorporated in Australia. The financial statements of Romardo Copper are included in the consolidated financial statements from the date on which control was transferred to the Company (Notes 6 and 7(b)). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)**Basis of consolidation and presentation** (continued)

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES**a. Cash and cash equivalents**

Cash equivalents include short term deposits with an original maturity of three months or less and are readily convertible into a known amount of cash. As of September 30, 2020, the Company held \$3,919,000 (2019 - \$nil) in cash equivalents.

b. Financial instruments

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 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 following table shows the classification under IFRS 9, *Financial Instruments* ("IFRS 9"):

Financial assets / liabilities	Classification
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost

i) Measurement**Financial assets and liabilities at amortized cost**

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 at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. 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 comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Financial Instruments (continued)

ii) 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 comprehensive loss, 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.

iii) 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.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Financial instrument disclosures – fair value hierarchy

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks. The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 — Unadjusted quoted prices (unadjusted) in active markets for identical assets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

c. Foreign currency translation

The presentation currency of the Company is the Canadian dollar. The functional currency for the parent entity and each of its subsidiaries is the currency of the primary economic environment in which each entity operates. Management have determined that the parent entity, and the Australian subsidiaries have a Canadian dollar functional currency. References to Australian dollars denoted as "AUD", and United States' dollars as "USD".

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Exploration and evaluation assets ("E&E")

Once the legal right to explore a property has been acquired, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling and assay costs and payments made to contractors during the exploration phase. Expenditures not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the period in which they occur. The costs are accumulated by exploration area and are not depleted pending determination of technical feasibility and commercial viability.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of Option agreements. Due to the fact that Options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as E&E assets or recoveries when the payments are made or received.

The Company also recognizes and capitalizes the cost of capital equipment directly related to its mineral exploration properties as a component of E&E assets. Indirect costs that are included in the cost of an exploration and evaluation asset include, among other things, charges for depreciation of equipment used in exploration and evaluation activities.

The carrying value of all categories of E&E assets are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

e. Reclamation obligations

The Company records provisions for reclamation and remediation based on the best estimate of costs for reclamation activities that it is required to undertake, and the liability is recognized at fair value at the time such environmental disturbance occurs. The liability is accreted over time through periodic charges to the consolidated statements of comprehensive loss. In addition, the reclamation cost is capitalized as part of the mineral property's carrying value and, upon commercial production, will be amortized over the life of the related mineral property. The capitalized amount is depreciated on the same basis as the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs. Changes in reclamation estimates are reflected in profit or loss in the period an estimate is revised. Estimated reclamation obligations are based on when spending for an existing disturbance is expected to occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation for each of its exploration properties.

Based on the level of disturbance, the nature and timing of reclamation activity, and potential reclamation activities, the Company has not accrued any provision for reclamation as at September 30, 2020.

f. Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in the profit or loss in the period the impairment is determined.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Provisions and constructive obligations

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

h. Share capital

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. Common Shares, share purchase warrants ("Warrants"), stock options to purchase Common Shares ("Options"), and compensation options ("Agent Options") awarded in connection with the initial public offering ("IPO"), are classified as equity instruments. Incremental costs directly attributable to the issue of new Common Shares are recognized as a deduction from equity.

i. Share-based payments

Where equity-settled Options are awarded to employees, the fair value of the Options at the date of grant is recognized in profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of Options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the Options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of Options are modified before they vest, the increase in the fair value of the Options, measured before and after the modification, is also charged to the profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of Common Shares. Amounts related to the issuance of Common Shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, Common Shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. Where a grant of Options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j. Loss per share

Basic loss per Common Share is computed by dividing the net loss for the year by the weighted average number of Common Shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. The treasury stock method is used to determine the dilutive effect of Options, Agent Options, and other dilutive instruments. Under the treasury stock method, the weighted average number of Common Shares outstanding used in the calculation of the diluted per share amount assumes that the deemed proceeds received from the exercise of Options, Warrants and their equivalents would be used to repurchase Common Shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of Options and Warrants is considered to be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Comprehensive loss

Comprehensive loss includes net income or loss and other comprehensive income or loss. Other comprehensive income or loss may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign gains and losses from self-sustaining foreign operations.

l. Income taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination or items recognized either in other comprehensive income or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m. Accounting standards adopted

IFRS 16, Leases

Effective October 1, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16").

Summary of changes

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has the right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds necessary to obtain the asset. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Accounting standards adopted (continued)

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right- of-use assets are determined on the same basis as those of plant and equipment. The right-of-use asset is assessed for impairment losses, should a trigger be identified and adjusted for impairment if required.

The lease liability is subsequently measured at amortized cost using the effective interest method. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

On transition to IFRS 16, there was no amount to be recognized for any right-of-use assets or liabilities as the Company determined that it does not have any leases.

n. New accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year.

Although management used historical experience and its best knowledge of the amount, events or actions to form the basis for judgements and estimates, actual results could differ from these estimates.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the consolidated financial statements.

- i) **Going concern assumption:** In determining whether it is appropriate for the Company to be reported as a going concern, management exercises judgement, having undertaken appropriate enquiries and having considered the business activities, principal risks and uncertainties.
- ii) **Functional currency:** Determination of functional currency involves certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.
- iii) **Recoverability of exploration and evaluation assets:** The Company capitalizes mining property acquisition costs which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.
- iv) **Leases as a result of adopting IFRS 16:** The new lease standard (Note 3(m)) applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company will need to apply judgement on certain factors, including whether the supplier has substantive substitution rights, whether the Company obtains substantially all of the economic benefits and who has the right to direct the use of that asset.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)*Judgments (continued)*

iv) Leases as a result of adopting IFRS 16 (continued)

IFRS 16 requires that lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The standard defines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) Valuation of shares issued in non-cash transactions.

Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

ii) Provision for environmental rehabilitation

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.

iii) Inputs used in the valuation of share-based payments

The assumptions used in the calculation of value of share-based payments are inherently uncertain. The resulting value calculated is not necessarily the value that the holder of the equity compensation could receive in an arm's length transaction, given that there is no market for the Options, Agent Options or Warrants, and they are not transferable. Changes in these assumptions could materially affect the estimated fair values (Note 9).

iv) Recognition of deferred tax assets.

The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets (Note 13).

The Company provides for such differences, where known, based on management's best estimate of the probable outcome of these matters.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
For the year ended September 30, 2020 and 2019
(Expressed in Canadian dollars)

5. REFUNDABLE SECURITY DEPOSITS

As at September 30, 2020, the Company held 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
September 30, 2018	\$ 39,204	\$ 88,209	\$ 127,413
Additions	9,341	18,682	28,023
Foreign exchange adjustment	(149)	362	213
September 30, 2019	48,396	107,253	155,649
Additions	-	60,726	60,726
Foreign exchange adjustment	(671)	967	296
September 30, 2020	\$ 47,725	\$ 168,946	\$ 216,671

Eleven of these security deposits were acquired pursuant to the assignment agreements with OCP Holdings (formerly, Ore Capital Partners Ltd., "OCP") described in Note 7 (aggregate value of \$127,413), and eleven security deposits were paid subsequently, including four paid directly by the Company and two acquired pursuant to the acquisition of Romardo Copper in the current year (Note 6). Pursuant to the determination to relinquish the rights to certain licences (Note 7(a)), the Company is in the process of recovering four of the AI Project deposits. Each deposit is valued at AUD 10,000 (\$9,545) per claim held, with the exception of one deposit valued at AUD 17,000 (\$16,226).

6. 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 7(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 and 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
Cash		18
Loan receivable		222
Exploration and evaluation assets		29,862
Refundable security deposit		17,850
Loan from the Company		(44,505)
Net identifiable assets acquired		3,447
Excess allocated to exploration and evaluation assets	\$	8,842

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2020, the Company's exploration and evaluation assets consisted of cumulative expenditures incurred, net of impairment charges, 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:	60,000	-	-	60,000
Balance, September 30, 2019	217,337	424,869	95,214	737,420
Additions:	-	100,544	-	100,544
Balance, September 30, 2020	217,337	525,413	95,214	837,964
<i>Deferred exploration costs:</i>				
Balance, September 30, 2018	88,979	297,632	-	386,611
Additions for the year:				
Geological services (Note 10)	156,496	213,734	4,000	374,230
Geophysics	-	173,515	145,785	319,300
Claim management fees	25,429	87,888	-	113,317
Administration and maintenance	17,645	12,318	-	29,963
Assay costs	4,295	-	-	4,295
Total additions	203,865	487,455	149,785	841,105
Balance, September 30, 2019	292,844	785,087	149,785	1,227,716
Additions:				
Geological services (Note 10)	51,285	358,122	58,502	467,909
Drilling	-	295,337	-	295,337
Claim management fees	17,014	129,863	10,424	157,301
Administration and maintenance	3,549	136,221	1,484	141,254
Equipment	-	91,759	-	91,759
Assay costs	18,731	-	-	18,731
Geophysics	-	8,527	1,103	9,631
Write-down of exploration assets	(69,044)	-	-	(69,044)
Total additions:	21,535	1,019,830	75,513	1,112,878
Balance, September 30, 2020	314,379	1,804,917	221,298	2,340,594
Balance, September 30, 2019	\$ 510,181	\$ 1,209,956	\$ 244,999	\$ 1,965,136
Balance, September 30, 2020	\$ 531,716	\$ 2,330,330	\$ 316,512	\$ 3,178,558

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2020
(Expressed in Canadian dollars)

7. 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 with OCP, whereby the rights and obligations of certain agreements were assigned to the Company in exchange for 15,895,000 Common Shares with a fair value of \$500,000 based on the expenditures previously incurred by OCP.

The exploration properties subject to these agreements encompass the Artificial Intelligence ("AI") Project (Note 7(a)), the Northern New South Wales ("NNSW") Project (Note 7(b)), and an optioned interest in the Carron Project (Note 7(c)). The consideration was allocated as follows: \$127,413 to refundable security deposits acquired (Note 5); \$157,337 to the AI project; \$120,036 to the NNSW 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 "Alliance Agreement") dated May 1, 2017, whereby the Company acquired the rights from the licencing counterparty (the "Licensor") to use proprietary neural network data for a specified period 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"). The License Period was extended to July 31, 2021 by an amending agreement dated, July 29, 2020.

Pursuant to the Alliance Agreement, the Company paid USD 60,000 in cash, and agreed to incur at least USD 250,000 in exploration expenditures within the area covered by the proprietary data (incurred).

The Company and the Licensor entered into a supplemental agreement dated April 1, 2018, whereby the Company agreed to pay \$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 (Note 9(b)(vi)).

The Company has also agreed to pay the Licensor the following consideration solely at the discretion of the Company:

1. a fee of USD 10,000 for any Project Area selected by the Company, as defined in the Agreement, within seven days of the Project Area becoming effective.
2. a fee equal to 5% of all expenditures incurred on any Project Area, as defined in the Agreement.
3. For each mine established within a Project Area, the Licensor will receive a 2.0% net smelter returns royalty ("NSR"), of which the Company may purchase 0.5% for USD 1,000,000 at any time.

Through September 30, 2020, the Company had acquired five exploration licenses using the proprietary data but had not yet designated any Project Areas. During the year ended September 30, 2020, the Company relinquished rights to four of the exploration licenses further to a decision not to continue with exploration thereon; accordingly, \$69,044 was written off.

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 specified property; payable at the Company's election in either cash or Common Shares. After 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.

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

The Northern New South Wales ("NNSW") 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 6). Four of the licenses were staked by the Company directly.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2020
(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)**b) Northern New South Wales Project (Northern New South Wales) (continued)***Acquired NNSW licences*

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 eleven exploration licenses and applications (the "Acquired NNSW licences") in Northern New South Wales, Australia. The Term Sheet was subsequently superseded in an agreement dated July 1, 2018 (together the "NNSW Agreements"), which amended the terms for the acquisition of the licenses.

Pursuant to the NNSW Agreements, consideration paid the Vendor for the acquisition of the Licenses is as follows:

1. On July 1, 2018, the Company issued 2,805,000 Common Shares (with a fair value of \$280,500).
2. The Company made combined payments of AUD 205,000 upon the execution of the Term Sheet and towards the cost of acquiring the Licenses, and a further AUD 25,000 in August 2020.
3. A success fee of AUD 55,000 pursuant to the successful listing of the Common Shares on the CSE.

The Company was obligated to incur AUD 500,000 in exploration expenditures on the Licenses by June 6, 2018; the expenditure of which has been completed.

The Company shall pay a 2% NSR to the Vendor from any future production, of which the Company may purchase 1% for AUD 3,000,000 at any time.

Romardo Copper

On February 11, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Romardo Copper (Note 6), a private Australian company which owns 100% of the rights, title and interest in two exploration licenses located in New South Wales, Australia (the "Romardo Licenses"). The Company considers the Romardo Licences to be part of the Northern New South Wales Project.

The Romardo Licenses are subject to a 2% NSR 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.

In addition, the Company has the following contingent payments payable at its discretion upon attainment of certain milestones:

- i. AUD 500,000 is payable in cash or Common Shares upon completion of a pre-feasibility study;
- ii. AUD 2,000,000 is payable in cash or Common Shares upon completion of a feasibility study; and
- iii. AUD 6,000,000 is payable upon the Company's decision to commence construction of a commercial mine.

c) Carron Project (Queensland)

On December 31, 2017, the Company took assignment of an Exploration Farm-In Agreement dated March 15, 2017, and its subsequent amendments dated December 20, 2018 and November 22, 2019 (the "Farm-In Agreements"). Pursuant to the Farm-In Agreements, the Company may earn up to a 100% participating interest to acquire, explore and develop an exploration license known as the Carron Project in Queensland, Australia.

The Company earned an initial 50% participating interest (the "Stage 1 Earn-in") in the Carron Project further to an amending agreement, dated November 22, 2019 (the "Initial Earn-in Date"), whereby the Company and the counterparty to the Farm-In Agreements (the "Optionor") agreed to recognize i) expenditures incurred as of September 30, 2019 of no less than AUD 297,172, including the completion of an airborne magnetics survey, and (ii) the reimbursement to the Optionor of an amount of AUD 50,000 for costs incurred by the Optionor, as satisfying the Stage 1 Earn-in.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
 For the years ended September 30, 2019 and 2020
 (Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)**c) Carron Project (Queensland) (continued)**

The Farm-In Agreements also provides for incremental farm-in levels by incurring additional expenditures at the discretion of the Company:

1. 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").

As at September 30, 2020, the Company continued to incur expenditures toward the Stage 2 Earn-in. All expenses recognized are those incurred by the Company.

2. Following the Stage 2 Earn-in, the Company may elect at its sole discretion to complete a further earn-in as either:
 - i) Acquire a further 30% interest to bring its interest to 100% by issuing a number of Common Shares 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 to a 90% interest, the Company shall enter into a royalty 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.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	September 30, 2019
Accounts payable (Note 10)	\$ 491,212	\$ 318,071
Accrued liabilities	4,670	-
	\$ 495,882	\$ 318,071

9. SHARE CAPITAL

a) Authorized:

Unlimited number of Common Shares without par value.

b) Share Issuances

Issued: as at September 30, 2020: 57,355,714 Common Shares (September 30, 2019: 31,130,001)

Share capital transactions were as follows:

Year ended September 30, 2020

- i) On December 19, 2019, the Company closed the first tranche of a private placement financing of units 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 Warrant. Each 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 \$35,153 in connection with the first tranche of the private placement. In addition, the Company issued 3,456,818 Warrants with the same terms as above to the subscribers of the April 5, 2019 private placement (Note 9(b)(viii)) to equal out the equity instruments issued under each placement.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2019 and 2020

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

b) Share Issuances (continued)

- 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 Warrant. Each 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 \$14,197 cash was paid on \$214,500 of the final tranche.

The Company granted one of the investors of the final tranche the right to acquire an additional 4,090,909 Common Shares of the Company at a price of \$0.01 per share such that the total average purchase price of this subscription shall be equal to the per share price of the shares issued under the Company's anticipated IPO. If the price per share of the IPO is equal to or greater than \$0.22 per share then these rights shall immediately expire. These rights shall expire one year from the closing date of the final tranche of the private placement if the Company has not completed an IPO. As the IPO completed at \$0.25 per share, these rights expired without any additional shares issued under this agreement.

- iii) On July 17, 2020, the Company closed its IPO of 14,000,000 units at \$0.25 for total gross proceeds of \$3,500,000. Each unit consists of one Common Share and one-half of one "IPO Warrant". Each full IPO Warrant entitles the holder to acquire one Common Share at a price of \$0.40 exercisable until January 17, 2022.

If, following the closing of the IPO, the closing price of the Common Shares on 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 IPO Warrants, accelerate the expiry date of the IPO Warrants to the date that is 30 days following the date of such written notice.

The Company paid an 8% cash commission of \$280,000, a corporate finance fee of \$26,250, agent's legal fees of \$52,483, and issued 1,120,000 non-transferable Agent Options, valued at \$155,933, the equivalent to 8% of the units sold. Each Agent Option is exercisable at \$0.25 until January 17, 2022 to acquire one Common Share and one-half of one non-transferable "Compensation Warrant". Each whole Compensation Warrant will be exercisable to purchase one common share at \$0.40 until January 17, 2022 subject to the same acceleration clause as the IPO Warrants. The value of the Agent Options was determined using the Black-Scholes Option Pricing Model with a risk-free rate of 0.27%, volatility factor of 125%, 0% dividend and an expected life of eighteen months. In addition, the Company paid other share issuance costs of \$86,973. A total of \$601,639, including the value of the Agent Options, was allocated to share issuance costs for the IPO.

- iv) On September 10, 2020 the Company issued 125,030 Common Shares pursuant to the exercise of Agent Options for gross proceeds of \$31,258.
- v) On September 22, 2020 the Company issued 67,500 Common Shares pursuant to the exercise of Warrants for gross proceeds of \$27,000.

Year ended September 30, 2019

- vi) On February 14, 2019, the Company issued 300,000 Common Shares at \$0.20 as settlement of the \$60,000 owing under the AI Project supplemental agreement dated April 1, 2018 (Note 7(a)).
- vii) On February 20, 2019, the Company completed a private placement consisting of 50,000 Common Shares at \$0.20 for total proceeds of \$10,000
- viii) On April 5, 2019, the Company completed a private placement consisting of 2,535,000 Common Shares at \$0.30 for total proceeds of \$760,500. A finder's fee consisting of \$9,000 in cash and 30,000 Common Shares valued at \$9,000 was paid on a portion of the financing.
- ix) As at September 30, 2019 the Company had received \$280,200 in proceeds towards the private placement which closed December 19, 2019 (Note 9(b)(i)).

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2020
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

c) Stock Options

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

As at September 30, 2020, the Company had outstanding 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	2,280,000		0.33
Outstanding, September 30, 2020	4,290,000	\$	0.27
Exercisable, September 30, 2020	3,990,000	\$	0.19

As at September 30, 2020, the following Options were outstanding:

Expiry Date	Number of Options	Weighted Average Exercise Price	Weighted Average Exercise Period
August 26, 2022	300,000	\$ 0.55	1.90
March 21, 2024	2,010,000	\$ 0.20	3.47
March 10, 2025	1,980,000	\$ 0.30	4.44
	4,290,000	\$ 0.27	3.81

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

	September 30, 2020	September 30, 2019
Weighted average risk-free rate	0.51%	1.44%
Weighted average expected life of options	4.6 years	5 years
Weighted average expected annualized volatility	125%	125%
Weighted average expected dividend rate	-	-

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2020
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

c) Stock Options (continued)

For the purposes of estimating the fair value of options using Black-Scholes, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's shares, risk-free interest rates and expected average life of the options. The Company's bases its expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of Inflection's options exceeds the trading history of the Common Shares.

During the year ended September 30, 2020, the Company recognized \$364,316 (2019 - \$372,827) in share-based compensation for the Options vested during the year.

d) Warrants

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2018 and 2019	-	\$ -
Issued	22,552,516	0.33
Exercised	(67,500)	0.40
Outstanding, September 30, 2020	22,485,016	\$ 0.33

As at September 30, 2020, the following Warrants were outstanding:

Expiry Date	Number of Warrants	Weighted Average Exercise Price \$	Weighted Average Exercise Period (Years)
January 17, 2022	6,995,015	0.40	1.30
June 19, 2022	9,225,456	0.30	1.72
July 31, 2022	6,264,545	0.30	1.83
	22,485,016	0.33	1.62

e) Agent Options

	Number of Agent Options	Weighted Average Exercise Price
Outstanding, September 30, 2018 and 2019	-	\$ -
Issued	1,120,000	0.25
Exercised	(125,030)	0.25
Outstanding, September 30, 2020	994,970	\$ 0.25

As at September 30, 2020, the following agent options were outstanding:

Expiry Date	Number of Agent Options	Weighted Average Exercise Price \$	Weighted Average Exercise Period (Years)
January 17, 2022	994,970	0.25	1.30

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2020
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

f) Reserve

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

g) Escrow Shares

As at September 30, 2020, the Company held 19,615,501 (2019 – nil) shares in escrow.

10. 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 President and Chief Executive Officer (the "CEO"), the Chief Financial Officer (the "CFO"), as well as the Vice President, Exploration (the "VPEX"), and the Corporate Secretary. Key management personnel compensation is comprised of the following:

	For the year ended	
	September 30, 2020	September 30, 2019
Consulting	\$ 79,000	\$ 85,900
Geological consulting capitalized (Note 7)	193,475	225,000
Salaries and benefits	96,600	3,778
Salaries and benefits capitalized (Note 7)	74,250	-
Share-based compensation	354,438	322,217
	\$ 530,972	\$ 325,995

The Company executed a management agreement with the CEO effective January 1, 2020 whereby the CEO will receive a salary of \$16,500 per month for no fixed term. During the year ended September 30, 2020, the CEO received \$148,500 (2019 - \$nil) pursuant to the management agreement, of which \$74,250 (2019 - \$nil) was capitalized to exploration and evaluation assets as geological services (Note 7). Prior to the agreement, the Company incurred consulting fees to Waddell Consulting Inc. ("Waddell"), a company controlled by the CEO. During the year ended September 30, 2020, an amount of \$45,000 (2019 - \$45,000) was incurred for consulting fees and \$nil (2019 - \$135,000) for geological consulting, of which \$22,500 (2019 - \$nil) and \$nil (2019 - \$135,000), respectively, were capitalized to the value of the exploration and evaluation assets as geological services (Note 7). As at September 30, 2020, \$31,500 (2019 - \$111,330) was owed to Waddell.

During the year ended September 30, 2020, the Company incurred consulting fees of \$56,500 (2019 - \$32,500) to a company controlled by the former CFO of the Company. As at September 30, 2020, \$5,775 (2019 - \$2,625) was owed to the company controlled by the former CFO.

The Company executed a management agreement with a company controlled by the VPEX effective January 1, 2020 whereby the VPEX will receive a salary of AUD 16,500 per month for no fixed term. During the year ended September 30, 2020, the VPEX received AUD 148,500 (\$142,242) (2019 – \$nil) pursuant to the management agreement, which was capitalized to exploration and evaluation assets as geological services (Note 7). Prior to the agreement, the Company incurred consulting fees to a company controlled by the VPEX. During the year ended September 30, 2020, the Company incurred \$22,000 (2019 - \$90,000) in geological consulting fees which were capitalized to exploration and evaluation assets as geological services (Note 7). As at September 30, 2020, AUD 18,150 (\$17,324) (2019 - \$15,000) was owed to a company controlled by the VPEX.

10. RELATED PARTY TRANSACTIONS (continued)

a) Key Management Compensation (continued)

The Company executed a management agreement with the Company's Corporate Secretary effective September 1, 2020 whereby the Corporate Secretary will receive a salary of \$1,500 per month for no fixed term. Prior to the agreement, the Corporate Secretary provided services to the Company through a services agreement. During the year ended September 30, 2020, an amount of \$22,350 (2019 - \$3,778) was incurred by the Corporate Secretary. As at September 30, 2020, \$nil (2019 - \$nil) was owed to the Corporate Secretary.

During the year ended September 30, 2020, the Company incurred consulting fees of \$nil (2019 - \$8,400) from Company's former Corporate Secretary. As at September 30, 2020, \$nil (2019 - \$3,150) was owed to the former Corporate Secretary.

During the year ended September 30, 2020, the Company incurred consulting fees of \$6,733 (2019 - \$nil) from a Director of the Company which were capitalized to exploration and evaluation assets as geological services (Note 7). As at September 30, 2020, \$nil (2019 - \$nil) was owed to the Director.

As at September 30, 2020, \$12,589 (2019 - \$nil) in salaries (net of required payroll withholdings) was payable to key management.

b) Other Related Party Transactions

The following transactions with related parties not disclosed elsewhere in the financial statements occurred.

OCP

OCP holds 25.7% of the outstanding Common Shares, and shares a common director.

The Company was party to a Strategic Consulting Agreement with OCP dated July 1, 2018 that was amended on September 1, 2019 and terminated on February 29, 2020. 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 February 29, 2020. During the year ended September 30, 2020, the Company incurred \$25,000 (2019 - \$115,000) in consulting fees to OCP. As at September 30, 2020, \$140,000 (2019 - \$114,820) was owed to OCP.

During the year ended September 30, 2020, OCP participated in a private placement by purchasing 150,000 shares (2019 - 500,000 shares) at \$0.22 (2019 - \$0.30) for total proceeds of \$33,000 (2019 - \$150,000) (Note 9).

Included in accounts payable and accrued liabilities at September 30, 2020 is \$207,188 (2019 - \$246,925) due to related parties (Note 8).

11. SEGMENTED INFORMATION

Reportable segments are those operations whose operating results are reviewed by the chief operating decision maker, being the individual(s) at Inflection making decisions about resources to be allocated to a particular segment, and assessing performance provided those operations pass certain quantitative thresholds.

The Company undertakes administrative activities in Canada, and is engaged in the acquisition, exploration, and evaluation of certain mineral property interests in Australia. Accordingly, the Company's operations are in two geographic and only one commercial segments. The Company is in the exploration stage and accordingly, has no reportable segment revenues.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2020
(Expressed in Canadian dollars)

11. SEGMENTED INFORMATION (continued)

The net loss is distributed by geographic segment per the table below:

	For the year ended	
	September 30, 2020	September 30, 2019
Canada	\$ 891,573	\$ 772,353
Australia	145,814	3,136
	\$ 1,037,387	\$ 775,489

The Company's assets are distributed by geographic segment, as per the table below

	September 30, 2020		
	Canada	Australia	Total
Current assets	\$ 4,056,834	\$ 128,668	\$ 4,185,502
Refundable security deposits	-	216,671	216,671
Exploration and evaluation assets	-	3,178,558	3,178,558
Total assets	\$ 4,056,834	\$ 3,523,897	\$ 7,580,731

	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

12. FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in a bank account held with a major bank in Canada. The risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company has secondary exposure to credit risk on its receivables. This risk is minimal as receivables consist primarily of refundable goods and services taxes.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
 For the years ended September 30, 2019 and 2020
 (Expressed in Canadian dollars)

12. FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)*Foreign Exchange Risk*

The significant market risk to which the Company is exposed is foreign exchange risk. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's mineral property expenditures will be incurred in Australian dollars. The fluctuation of the Canadian dollar relation to the AUD will consequently have an impact upon the financial results of the Company.

The Company has not entered into any derivative contracts to manage foreign exchange risk at this time. A significant portion of the Company's cash balance may be held in AUD in any given period.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company assessed its liquidity risk as high.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As the only interest-bearing financial instruments held by the Company consist of short-term Guaranteed Investment Certificates held with major bank in Canada, the Company is not exposed to any significant interest rate risk.

Capital Management

The Company defines its capital as shareholders' equity. It manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent upon external financing or the sale of assets to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The approach to capital management has not changed since the prior year, and the Company is not subject to externally imposed capital requirements.

13. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2020	September 30, 2019
Net loss	\$ (1,037,387)	\$ (775,489)
Statutory tax rate	27%	27%
Expected income tax recovery	(280,094)	(209,382)
Permanent differences	(38,125)	106,282
Prior year true up	1,944	-
Change in unrecognize deferred income tax assets	316,275	103,100
	\$ -	\$ -

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
 For the years ended September 30, 2019 and 2020
 (Expressed in Canadian dollars)

13. INCOME TAXES (continued)

The significant components of deferred income tax assets and liabilities as at September 30, 2020 and 2019, after applying enacted income tax rates, are as follows:

	September 30, 2020	September 30, 2019
Net operating loss carry forward	\$ 318,194	\$ 128,951
Share issuance costs	108,390	-
Exploration and evaluation assets	18,642	-
Unrecognized deferred income tax assets	(445,226)	(128,951)
	\$ -	\$ -

The Company has net operating losses which may be carried forward to apply against future year taxable income, subject to the final determination by taxation authorities, expiring in the following years:

	Non-capital Losses
2037	\$ 693
2038	95,051
2039	381,853
2040	700,901
	\$ 1,178,498

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at September 30, 2020, the Company has approximately \$1,178,000 in non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2037. The potential future tax benefit of these losses has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

14. SUBSEQUENT EVENTS*a. Award of Options*

On October 2, 2020, the Company granted 250,000 options to an officer of the Company. The Options have a price of \$0.47, vest six-months from the date of the award, and expire on October 1, 2025.

An additional award of 100,000 Options was made to an employee on November 24, 2020. The Options have an exercise price of \$0.40, vest six-months from the date of the award, and expire on November 24, 2025.

b. Exercise of Options

On October 24, 2020, 1,000 options with an exercise price of \$0.20 were exercised.

c. Board Compensation

The Company has approved the payment of a monthly fee of \$1,000 to each director in recognition of his services to the Company, and an additional \$1,000 per month to the Chair of the Audit Committee, \$4,000 per month to the Chair of the Technical Committee, and \$4,000 per month to the Chairman of the Company, effective October 1, 2020. The compensation will be reviewed on an annual basis and terminated if the financial situation of the Company cannot support the compensation.