MADISON METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2020 AND PERIOD FROM OCTOBER 11, 2019 (INCORPORATION) TO NOVEMBER 30, 2019

(EXPRESSED IN CANADIAN DOLLARS)

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Madison Metals Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Madison Metals Inc. (the Company), which comprise the consolidated statements of financial position as at November 30, 2020, and the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2020 and its financial performance and its cash flows for the year 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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 consolidated 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 Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 30, 2021

Madison Metals Inc.

Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

	As at November 30, 2020	As at November 30, 2019
ASSETS		
Current assets		
Marketable securities	**$ 854,923**	$ -
Amounts receivable	**-**	1
Total assets	**$ 854,923**	$ 1
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 45,714**	$ -
Income taxes payable (note 8)	**614,716**	-
Total liabilities	**660,430**	-
Equity		
Share capital (note 6)	**3,983,000**	$ 1
Deficit	**(3,788,507)**	-
Total equity	**194,493**	$ 1
Total equity and liabilities	**$ 854,923**	$ 1

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

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

(Signed) "Duane Parnham" Director

(Signed) "Shawn Parnham" Director

Madison Metals Inc.

Consolidated Statements of Income (loss) and Comprehensive Income (loss)
(Expressed in Canadian Dollars)

	Year Ended November 30, 2020	Period from October 11, 2019 (incorporation) to November 30, 2019
Operating expenses		
Professional fees (note 7)	**$ 35,699**	$ -
Consulting fees (note 7)	**71,875**	-
General office expenses	**7,821**	-
Shareholder information and communication	**5,672**	-
Transfer agent and filing fees	**14,497**	-
Foreign exchange	**1,204**	-
Loss before other items	**(136,768)**	-
Other items		
Gain on sale of subsidiary (note 4)	**4,912,905**	-
Loss on fair value of marketable securities (note 4)	**(976,239)**	-
Income before taxes for the year	**3,799,898**	-
Income tax expense (note 8)	**(614,716)**	-
Net income and comprehensive income for the year	**$ 3,185,182**	$ -
Basic and diluted net income per share	**$ 0.08**	$ -
Weighted average number of common shares outstanding	**37,839,114**	1

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

Madison Metals Inc.
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended November 30, 2020	Period from October 11, 2019 (incorporation) to November 30, 2019
Operating activities		
Net income for the year	**$ 3,185,182**	$ -
Adjustments for:		
Gain on sale of subsidiary	**(4,912,905)**	-
Loss on fair value of marketable securities	**976,239**	-
Changes in non-cash working capital items:		
Prepaid expenses	**6,534**	-
Amounts payable and other liabilities	**85,656**	-
Income taxes payable	**614,716**	-
Net cash used in operating activities	**(44,578)**	-
Investing activities		
Recovery from earn-in agreement	**132,845**	-
Exploration activities and maintenance of properties	**(149,101)**	-
Net cash used in investing activities	**(16,256)**	-
Financing activities		
Cash transferred pursuant to the spin-out of assets (note 3)	**5,034**	$ -
Cash transferred on sale of subsidiary (note 4)	**(5,617)**	-
Advance from bridge loan	**61,417**	-
Net cash provided by financing activities	**60,834**	-
Net change in cash	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**$ -**	$ -

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

Madison Metals Inc.

Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital	Deficit	Total
Balance, October 11, 2019	**$ -**	**$ -**	**$ -**
Incorporation shares issued (note 6)	1	-	1
Net loss for the period	-	-	-
Balance, November 30, 2019	**$ 1**	**-**	**1**
Incorporation share cancelled (note 6)	(1)	-	(1)
Shares issued pursuant to spin-out of assets (note 3)	3,983,000	-	3,983,000
Net income for the year	-	3,185,182	3,185,182
Distribution to shareholders (note 4)	-	(6,973,689)	(6,973,689)
Balance, November 30, 2020	**$ 3,983,000**	**$ (3,788,507)**	**$ 194,493**

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

1. Nature of operations and going concern

Madison Metals Inc. ("Madison Metals" or the "Company") is a company incorporated under the provisions of the British Columbia Business Corporations Act on October 11, 2019 in order to complete the Plan of Arrangement (as defined in note 3). The Plan of Arrangement was completed on February 27, 2020.

The Company is a reporting British Columbia registered corporation that was set up receive the Madison Mine Project from Broadway Gold Mining Ltd. ("Broadway"). The shares of the Company are not listed or posted for trading on any stock exchange. Its registered and head office is located at 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

On June 26, 2020, the Company sold the Madison Mine Project to American Pacific Mining Corp. ("APM").

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business.

As at November 30, 2020, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business, all of which constitutes a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise future equity financing to fund its operations and advance the development of its business.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

2. Significant accounting policies

The Company applies 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”).

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of November 30, 2020. These financial statements were approved by the Board of Directors on March 30, 2021.

Basis of presentation

These financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments, which are measured at fair value. The Company's functional and presentation currency is Canadian dollars.

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Broadway Gold Corp., a Montana corporation. The activities of the Madison Project in Montana are conducted primarily by Broadway Gold Corp.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

On June 26, 2020, the Company sold its shares in Broadway Gold Corp.

Cash

Cash is comprised of cash on hand. As of November 30, 2020, there were no cash equivalents held by the Company.

Exploration and evaluation assets

Expenditures incurred before the Company has obtained legal rights to explore an area are recognized in the consolidated statement of operation as exploration expenses.

Exploration and evaluation assets reflect expenditures for an area where technical feasibility and commercial viability have not yet been determined. Expenditures, including, but are not limited to, land acquisition, geological and geophysical studies, exploratory drilling and sampling and directly attributable employee salaries and benefits are capitalized and accumulated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are not depleted. When assets are determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and the recoverable amount is transferred to property, plant and equipment. Upon transfer of exploration and evaluation costs into property, plant and equipment, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines. At such time as commercial production commences, these expenditures will be charged to operations on a unit-of-production method based on proven and probable resources.

Exploration and evaluation assets are also assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

2. Significant accounting policies (continued)

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income 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.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

Basic and diluted loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

2. Significant accounting policies (continued)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Foreign currency translation and transaction

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. Its subsidiary's functional currency was US dollar.

Transactions denominated in foreign currencies are translated to the functional currency of the Company and its subsidiary at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of earnings.

The consolidated financial statements of the entity that has a functional currency different from Canadian dollars are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statements of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive loss as foreign currency translation adjustments.

Financial instruments

<u>Recognition</u>

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of marketable securities and amounts receivable, which are classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net profit and loss.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest reate method.

2. Significant accounting policies (continued)

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates used in preparing the consolidated financial statements include, but are not limited to:

(i) Valuation of marketable securities

The fair value of warrants held by the Company are subject to limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(ii) Current and deferred taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgments and changes related to them impact current and deferred tax provisions, deferred tax assets and liabilities and results of operations.

(iii) Share-based payments

The fair value of stock options and warrants issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(iv) Accounting for plan of arrangement

The Company determined that the fair value of the shares issued as consideration for the 100% ownership in Broadway Gold Corp. was based on Broadway's closing price on the last day of trading before the completion of the spin-out transaction.

Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to:

(i) Going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended November 30, 2020. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Please refer to note 1 for additional information.

(Expressed in Canadian Dollars)

3. Plan of arrangement

On February 27, 2020, the Company completed the spin-out from Broadway by way of plan of arrangement ("Plan of Arrangement") under the Business Corporations Act (British Columbia) wherein Broadway transferred its US subsidiary, Broadway Gold Corp., including all of Broadway's right, title and interest, and all associated liabilities, in the Madison Project, which is comprised of 6 patented and 35 unpatented claims in the Madison Property located in Montana, USA, in exchange for 49,860,204 common shares of Madison Metals (the "Madison Metals Shares"). The Madison Metals Shares have been distributed to Broadway shareholders on the basis of one Madison Metals Share for each Broadway common shares.

The fair value of the US subsidiary contributed pursuant to the Plan of Arrangement consisted of the following:

ASSETS		
Cash	$	5,034
Prepaid expenses		11,005
Property and equipment		63,742
Exploration and evaluation assets		3,723,405
Reclamation deposits		182,413
Total assets	$	3,985,599
LIABILITIES		
Accounts payable and accrued liabilities	$	2,599
Total liabilities	$	2,599
Fair value of US subsidiary contributed	$	3,983,000

The Plan of Arrangement resulted in an increase of share capital amounting to $3,983,000, which is the fair value of the US subsidiary.

(Expressed in Canadian Dollars)

4. Sale of subsidiary

On April 14, 2020, the Company announced that it signed a definitive agreement (the "Definitive Agreement") with APM to sell Broadway Gold Corp. to APM. The Company completed the transaction on June 26, 2020.

Pursuant to the terms of the transaction, APM acquired all of the issued and outstanding shares of Broadway Gold Corp. As a consideration for the transaction,

- APM issued 20 million APM shares to Madison Metals, valued at $7,400,000, subject to a 6 month hold period ending January 22, 2021; and
- APM issued 5 million APM warrants priced at $0.25, expiring in 18 months. The 5 million APM warrants were estimated to have a grant date fair value of $1,404,851 using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.26%, an expected life of 18 months, an expected volatility of 170% and an expected dividend yield of 0%.

The fair value of the US subsidiary sold to APM consisted of the following:

ASSETS		
Cash	$	5,617
Prepaid expenses		4,471
Property and equipment		64,744
Exploration and evaluation assets		3,735,756
Reclamation deposits		185,279
Total assets	$	3,995,867
LIABILITIES		
Accounts payable and accrued liabilities	$	42,541
Loan payable		61,380
Total liabilities	$	103,921
Carrying value of US subsidiary sold	$	3,891,946
Gain on sale of subsidiary		4,912,905
	$	8,804,851
Considerations received		
20,000,000 APM shares	$	7,400,000
5,000,000 APM warrants (i)		1,404,851
	$	8,804,851

(i) The Company estimated the grant date fair value of the 5,000,000 APM warrants using the Black-Scholes option pricing model with the following assumptions: a risk-free interest of 0.29%, an expected life of 18 months, an expected volatility of 166% and an expected dividend yield of 0%.

As a result, the Company recorded a gain on sale of subsidiary of $4,912,905.

As at November 30, 2020, the Company has distributed 15,840,562 APM shares and 3,959,478 APM warrants to its shareholders in accordance with their pro rate shareholdings in the Company. In connection with the transaction, the Company will add one member to the APM advisory board.

(Expressed in Canadian Dollars)

5. Marketable securities

The Company does not purchase shares of publicly-listed companies on the open market. As at November 30, 2020, the following securities were included in marketable securities:

	Number of shares	Acquisition cost	Fair value adjustment	Fair value at November 30, 2020
American Pacific Mining Corp.	4,159,438	$ 1,538,992	$ (790,292)	$ 748,700
American Pacific Mining Corp. - warrants (i)	1,039,859	292,169	(185,946)	106,223
		$ 1,831,161	**$ (976,238)**	**$ 854,923**

(i) The warrants have an exercise price of $0.25 and expire on December 26, 2021. The Company estimated fair value of the warrants using the Black-Scholes option pricing model with the following assumptions: a risk-free interest of 0.25%, an expected life of 13 months, an expected volatility of 174% and an expected dividend yield of 0%.

6. Share capital

Authorized share capital

An unlimited number of common shares without par value, voting and participating

Issued

	Number of shares	Share capital
Balance, October 11, 2019	-	$ -
Issued (i)	1	1
Balance, November 30, 2019	1	$ 1
Cancelled (i)	(1)	(1)
Issued pursuant to spin-out of assets (note 3)	49,860,204	3,983,000
Balance, November 30, 2020	49,860,204	$ 3,983,000

(i) The Company was incorporated on October 11, 2019 issuing a single share for $1 per share, which was subsequently cancelled.

(Expressed in Canadian Dollars)

7. Related party transactions

Balances and transactions with related parties not disclosed elsewhere in these consolidated financial statements are as follows:

(a) During the year ended November 30, 2020, the Company incurred management services of $71,875 (year ended November 30, 2019 - $nil) to a director and officer of the Company. As at November 30, 2020, included in accounts payable and accrued liabilities is an aggregate of $21,875 (November 30, 2019 - $nil) payable to this director and officer for the services.

(b) During the year ended November 30, 2020, the Company incurred accounting fees of $23,007 (year ended November 30, 2019 - $nil) to Marrelli Support Services Inc. ("MSSI") for:

- Eric Myung, an employee of MSSI, to act as the CFO of the Company; and
- Bookkeeping services;

As at November 30, 2020, included in accounts payable is an aggregate of $14,379 (November 30, 2019 - $nil) payable to the MSSI.

8. Income tax

The relationship between the expected tax recovery based on the combined federal and provincial income tax rate in Canada and the reported tax expense can be reconciled as follows:

	Year Ended November 30, 2020	Period from October 11, 2019 (incorporation) to November 30, 2019
Income (loss) before income taxes	**$ 3,799,898**	$ -
Expected tax payable (recovery) at 26.5%	**1,006,973**	-
Adjustments for the following items:		
Capital gain	**(650,960)**	-
Tax benefit not recognized	**258,703**	-
Expected income tax expense	**$ 614,716**	$ -

9. Financial risk management

The Company's financial assets consist of marketable securities. The Company has classified it marketable securities as FVTPL.

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

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

November 30, 2020	Level 1	Level 2	Level 3	Total
Marketable securities	$ 748,700	$ -	$ 106,223	$ 854,923

November 30, 2019	Level 1	Level 2	Level 3	Total
Marketable securities	$ -	$ -	$ -	$ -

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short-term cash requirements.

Credit risk

Credit risk is the risk of a loss in a counterparty to a financial instrument that fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its marketable securities. The Company limits its exposure to credit risk by holding its marketable securities in deposits with high credit quality Canadian financial institutions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk is minimal.

10. Capital management

The Company manages its capital structure and makes adjustment to it based on the funds available to the Company in order to support the operations. 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 defines capital that it manages as share capital and cash.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended November 30, 2020.