Condensed Interim
Financial Statements of

# Mountain Lake Minerals Inc.
## (Formerly 1167343 BC Ltd.)

For the nine months ended
August 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

**Mountain Lake Minerals Inc.**
**As at August 31, 2020 and November 30, 2019**
**Condensed Interim Statements of Financial Position**
**(Unaudited)**
**(Expressed in Canadian dollars)** **Amended and Restated (Note 12)**

| | Note | August 31, 2020 | November 30, 2019 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | - | - |
| Amounts receivable | | 550,000 | - |
| Advance | | 17,200 | - |
| | | 567,200 | - |
| Exploration and evaluation assets | 5 | 248,616 | - |
| | | **815,816** | **-** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 166,500 | - |
| Notes payable | 6 | 66,000 | - |
| Loans payable | 9 | 17,200 | - |
| | | 249,700 | - |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 7 | 37,101 | 1 |
| Contributed surplus | 7 | 695,516 | - |
| Deficit | | (166,501) | (1) |
| | | 566,116 | - |
| | | **815,816** | **-** |

**Nature of business and going concern – Note 1**
**Commitment – Note 11**
**Subsequent Events – Note 13**

Approved and authorized for issue on behalf of the Board on November 6, 2020:

*"Bill Fleming"*
Director

*"Paul Smith"*
Director

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

**Mountain Lake Minerals Inc.**
**Condensed Interim Statements of Comprehensive Loss**
**For the three and nine months ended August 31, 2020 and 2019**
**(Unaudited)**
**(Expressed in Canadian dollars)** **Amended and Restated (Note 12)**

| | Three months ended August 31, | | Nine months ended August 31, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | $ | $ | $ | $ |
| **Expenses** | | | | |
| Management fees | 112,500 | - | 166,500 | - |
| **Net loss and comprehensive loss for the** | 112,500 | - | 166,500 | - |
| **Loss per share – basic and diluted** | (0.00) | (0.00) | (0.00) | (0.00) |
| **Weighted average number of common shares outstanding** | 67,531,644 | 1 | 67,531,644 | 1 |

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

**Mountain Lake Minerals Inc.**
**Condensed Interim Statements of Changes in Equity**
**For the nine months ended August 31, 2020 and 2019**
**(Unaudited)**
**(Expressed in Canadian dollars)** **Amended and Restated (Note 12)**

| | Common shares | | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|
| | # | $ | $ | $ | $ |
| **Balance, November 30, 2018** | **1** | **1** | **-** | **(1)** | **-** |
| Net and comprehensive loss | - | - | - | - | - |
| **Balance, August 31, 2019** | **1** | **1** | **-** | **(1)** | **-** |

| | Common shares | | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|
| | # | $ | $ | $ | $ |
| **Balance, November 30, 2019** | **1** | **1** | **-** | **(1)** | **-** |
| Shares issued pursuant to Arrangement Agreement | 63,821,643 | - | 695,516 | - | 695,516 |
| Shares issued pursuant to mineral property agreements | 3,710,000 | 37,100 | - | - | 37,100 |
| Net and comprehensive loss | - | - | - | (166,500) | (166,500) |
| **Balance, August 31, 2020** | 67,531,644 | **37,101** | **695,516** | **(166,501)** | **566,116** |

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

**Mountain Lake Minerals Inc.**
**Condensed Interim Statements of Cash Flows**
**For the nine months ended August 31, 2020 and 2019**
**(Unaudited)**
**(Expressed in Canadian dollars)**

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| **Cash used in** | | |
| **Operating activities** | | |
| Net loss for the period | (166,500) | - |
| | - | - |
| Net change in non-cash working capital balances related to operations: | | |
| Accounts payable and accrued liabilities | 166,500 | - |
| | - | - |
| Change in cash | - | - |
| Cash - beginning | - | - |
| **Cash - ending** | **-** | **-** |
| **Supplemental cash flow information** | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

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

## NOTE 1 – NATURE OF BUSINESS AND GOING CONCERN

Mountain Lake Minerals Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on June 7, 2018 as 1167343 BC Ltd. On May 14, 2020, the Company changed its name to Mountain Lake Minerals Inc. The address of the Company's head office is 59 Payzant Dr., Windsor, Nova Scotia, Canada, B0N 2T0. Its registered office is Suite 2080 - 777 Hornby Street, Vancouver, B.C., Canada, V6Z 1S4.

The Company was created to facilitate an Arrangement Agreement dated June 7, 2018. In accordance with the Arrangement Agreement, the Company was incorporated as a wholly-owned subsidiary of Pac Roots Cannabis Corp. ("Pac Roots"). Pac Roots transferred its mineral exploration business and other assets to the Company in exchange for 63,821,643 common shares. The common shares were then distributed to the shareholders of Pac Roots. The exchange in shares for the exploration business and other assets has been recorded as a capital transaction at the fair value of the net assets received.

The Company is a junior exploration company exploring for precious and base metal deposits. Mountain Lake Mineral's current projects are located in the province of Newfoundland and Labrador, Canada (Note 5).

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. The Company has experienced losses and negative cash flow from operations since incorporation. As at August 31, 2020, the Company had not yet generated revenues and had an accumulated deficit of $166,501. These factors indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or proceeds from the disposition of its resource property interests. The timing and availability of additional financing will be determined largely by the performance of the Company and market conditions and there is no certainty that the Company will be able to raise funds as they are required in the future.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company's operations have not been drastically affected by the pandemic. Management of the Entity continues to monitor the situation and is following the protocols and rules set in place by the provincial and federal governments.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to reflect these financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

## NOTE 2 – BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 – Interim financial reporting.

The financial statements were authorized for issue by the Board of Directors on October 28, 2020.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these 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 financial statements.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Company's functional currency.

## NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgments

The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenues and expenses. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The more significant areas are as follows:

*Critical accounting estimates*

Estimate of recoverability for non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Share-based payments

The amounts recorded for share-based payments are based on estimates. The Black Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, expected forfeitures and expected life of the options. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options.

*Critical accounting judgments*

The following accounting policies involve judgments or assessments made by management:

i. Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, exploration costs will be reclassified to mineral properties under exploration and subject to different accounting treatment. As at August 31, 2020, management had determined that no reclassification of exploration expenditures was required.

ii. Decommissioning liabilities

Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that existed during the year.

iii. Impairment of exploration and evaluation assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's exploration and evaluation assets are impaired. External sources of information management consider includes changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mining interests. Internal sources of information management consider include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's exploration properties, management makes estimates of the discounted future pre-tax cash flows expected to be derived from the Company's exploration properties, and the appropriate discount rate.

iv. Income taxes

The assessment of deferred income tax assets and liabilities requires management to make judgments on whether or not the Company's deferred tax assets are probable to be recovered from future income. Management has determined that the recoverability of the Company's deferred tax assets is remote due to the history of losses. As a result no deferred income tax assets have been recognized as at February 29, 2020.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** (continued)

v. Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

b) Cash

Cash consisted of cash on hand and balances with banks.

c) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Exploration and evaluation expenditures are capitalized as incurred as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study and a decision to proceed with development, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to resource property and development assets.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash generating unit level, when there are indicators the carrying amount of the assets may exceed their recoverable amounts. To the extent this occurs, the excess is fully provided against the carrying amount, in the period in which this is determined.

Exploration and evaluation assets are reviewed for indicators of impairment on a regular basis and these costs are carried forward provided at least one of the following conditions is met:

- such costs are expected to be recovered through successful exploration and development of the area of interest or by its sale; or
- exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned in the future.

d) Share Capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

e) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed. Commissions paid to agents and other related share issue costs are charged directly to share capital.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** (continued)

f) Financial Instruments

*Financial Assets*

On initial recognition financial assets are classified as measured at:

i. Amortized cost;
ii. Fair value through profit and loss ("FVTPL"); and
iii. Fair value through other comprehensive income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company has classified its amount receivable and advances at amortized cost.

ii. FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

h) Financial Instruments (continued)

iii. FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company's doesn't have any assets classified at FVTPL.

*Financial Liabilities and Equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** (continued)

f) Financial Instruments (continued)

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

i. FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

ii. Amortized cost

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable, notes and loans payable at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

*Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

i) Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

j) Income Taxes

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

Deferred tax assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** (continued)

j) Income Taxes (continued)

A deferred tax asset would be recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

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.

k) Basic and Diluted Earnings (loss) per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

l) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

n) Adoption of new standards – No new standards that impact the Company have been adopted during the period end August 31, 2020

## NOTE 4 – FINANCIAL INSTRUMENTS

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, restricted cash, advances, accounts payable, notes payable and loans payable.

The fair value of cash and restricted cash are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The fair value of advances is determined to be "Level 3" as the amount relates to advances made concerning a definitive share purchase agreement; therefore, the inputs are unobservable (Note 9).

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as of August 31, 2020, as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets For Identical Instruments (Level 1) $ | Significant Other Observable Inputs (Level 2) $ | Significant Unobservable Inputs (Level 3) $ | Total $ |
| **August 31, 2020** | | | | |
| Cash | - | – | – | - |
| Advances | – | – | 17,200 | 17,200 |

Credit risk

The Company has no significant credit risk arising from operations. The Company does not engage in any sales activities, so is not exposed to major credit risks attributable to customers. The Company's credit risk is primarily attributable to cash. The Company holds its cash with Canadian chartered banks and the risk of default is considered to be remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company's accounts payable are due within one year. The Company's notes and loans payable are due on demand. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of stock market conditions generally or as a result of conditions specific to the Company. The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at August 31, 2020, the Company has unrestricted cash of $nil to settle current liabilities of $249,700.

Interest rate risk

Interest rate risk is the risk that future cash flows of the Company's assets and liabilities can change due to a change in interest rates. The Company is not exposed to interest rate risk as no financial instruments are interest-bearing. It is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from the financial statements.

**(Expressed in Canadian dollars)** **Amended and Restated (Note 12)**

**NOTE 5 – EXPLORATION AND EVALUATION ASSETS**

| | Grand Falls - Windsor | Other | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, December 1, 2019 | - | - | - |
| Acquired pursuant through Arrangement Agreement | 211,516 | - | 211,516 |
| Additions | - | 37,100 | 37,100 |
| **Balance, August 31, 2020** | **211,516** | **37,100** | **248,616** |

Grand Falls – Windsor, Newfoundland and Labrador, Canada

On October 30, 2017, the Company entered into an option agreement ("Agreement") with New Dawn Resources Inc. (the "Optionor") whereby the Company can acquire a 100% interest in the Grand Falls – Windsor property, a gold exploration property in the Central Newfoundland area of Newfoundland and Labrador consisting of 53 mineral claims under 2 licenses. As consideration, the Company is required to issue an aggregate 45,000 common shares, make $35,000 cash payment and incur accumulated exploration costs of $175,000 as follows:

| | Number of common shares | Cash ($) | Exploration expenditures ($) |
|---|---|---|---|
| On closing date of the agreement (issued and paid) | 5,000 | 10,000 | - |
| On or before the first anniversary of the closing date | 15,000 | - | 25,000 |
| On or before the second anniversary of the closing date | 25,000 | - | 50,000 |
| On or before the third anniversary of the closing date | - | 25,000 | 100,000 |
| | **45,000** | **35,000** | **175,000** |

Pursuant to the terms of the Agreement, the Company is required to issue additional 35,000 common shares if, prior to the third anniversary of the closing date, when the assay results from the exploration work showing that at least one rock of sample contains one or more than one ounce of gold per tonne.

The property is subject to a net smelter returns royalty ("NSR") of 1.5% of commercial production. The Company can purchase 1% of NSR for $1,500,000 at any time.

As at August 31, 2020, the Company is in violation of the Agreement as it is yet to issue the common shares due on or before the first anniversary of the closing date. Subsequent to August 31, 2020, the Company and the Optionor closed an agreement to acquire two additional mineral exploration licenses and revise the consideration for the Grand Falls – Windsor property. See Note 13 for further details.

Other

During the nine months ended August 31, 2020, the Company issued 3,500,000 common shares to two parties pursuant to purchase agreements ("NS Agreements") whereby the Company acquired a cumulative 100% interest in one mineral exploration license in Nova Scotia consisting of six mineral claims. In connection with the NS Agreements, the Company also issued 210,000 common shares in finders' fee to a third party.

Pursuant to the terms of the NS Agreements, the property is subject to an NSR of 2.50%, of which the Company can repurchase up to 1.0% for $300,000. Furthermore, the Company will also be required to make a royalty payment of $25,000 within one year of a feasibility report which identifies commercial viability of the property.

**(Expressed in Canadian dollars)** **Amended and Restated (Note 12)**

**NOTE 6 – NOTES PAYABLE**

As part of the Plan of Arrangement described in Note 1, the Company assumed a Note Payable of $66,000. The Note Payable is non-interest bearing, unsecured and due on demand.

**NOTE 7 – SHARE CAPITAL**

Common shares

The Company's authorized capital consists of an unlimited numbers of common shares without par value. As at August 31, 2020, there were 67,531,644 issued and outstanding common shares.

Stock Options

The Company has a Stock Option Plan (the "Plan) which provides that the number of options granted may not exceed 10% of the issued and outstanding shares. Options granted under the Plan generally have a five-year term and are granted at a price no lower than the market price of the common shares at the time of the grant.

As of August 31, 2020, the company has not granted any options.

Warrants

As part of the Arrangement Agreement described in Note 1, the Company issued 12,627,359 share purchase warrants upon the completion of the Arrangement Agreement.

A summary of the Company's warrant activity for the period ended August 31, 2020 is as follows:

| | August 31, 2020 | |
|---|---|---|
| | Number of options | Weighted Average Exercise Price |
| | | $ |
| Outstanding, beginning of the year | - | - |
| Issued | 12,627,359 | 0.50 |
| Outstanding, end of the period | 12,627,359 | 0.50 |

The following is a summary of warrants outstanding as at August 31, 2020:

| Number of warrants | Exercise Price | Expiry date |
|---|---|---|
| 12,627,359 | $0.50 | April 28, 2021 |

The weighted average outstanding life of the Company's outstanding warrants as at August 31, 2020 is 0.85 years.

**NOTE 8 – RELATED PARTY TRANSACTIONS AND BALANCES**

Payments to key management personnel including the President and Chief Executive Officer, Chief Financial Officer, Directors and companies directly controlled by key management personnel are for salaries, consulting fees, management fees, or professional fees and are directly related to their position in the Company or to services provided to the Company.

For the nine months ended August 31, 2020, key management personnel compensation was $166,500 (2019 - $nil) to directors of the Company for management fees.

Included in accounts payable and accrued liabilities are amounts owing to related parties totalling $54,000 as at August 31, 2020. The amounts payable are interest-free, unsecured, due on demand and have no fixed terms of repayment.

The Company has also received a loan from a director of the Company as described in Note 9.

Furthermore, the Company has a balance receivable from Pac Roots of $550,000 in connection with the completion of the Arrangement Agreement described in Note 1. The amount is unsecured, non-interest bearing, due on demand, and has no fixed terms of repayment.

## NOTE 9 - LOAN PAYABLE

During the nine months ended August 31, 2020, a director of the Company advanced $17,200 to an unrelated third party as an advance for a transaction being negotiated. As at August 31, 2020, the principal amount of $17,200 bears interest at 20% per annum, is unsecured and due on demand. For the nine months ended August 31, 2020, no interest has been recorded for this loan.

## NOTE 10 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. As at August 31, 2020, the Company had a working capital of $317,500 (2019 - $Nil).

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing, primarily equity financing, to fund its activities. There can be no assurance that the Company will be able to continue to raise capital in this manner. To carry out the planned exploration and fund administrative costs, the Company will utilize its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and business opportunities and seek to acquire an interest in additional properties or businesses if it believes there is sufficient geologic and economic potential and if it has adequate financial resources to do so.

The Company generally invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid financial instruments, such as cashable guaranteed investment certificates, held with a major Canadian financial institution.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

## NOTE 11 – COMMITTMENT

On April 6, 2020, the Company entered into an agreement with a company controlled by a director of the Company, whereby the Company would acquire a 50% interest in certain mineral exploration licenses (the "Acquisition") in exchange for a 50% interest in a mineral exploration property known as the Manuels property. The Acquisition was subject to the Company acquiring 100% of the Manuels property which was subsequently acquired (see Note 13(c)). In addition, the Company has also committed to issuing 200,000 share purchase warrants, making a cash payment of $300,000, providing a 2% NSR in the Manuels property and incurring $1,700,000 in exploration expenses before December 31, 2022. Furthermore, the Company has also committed to issuing certain number of performance warrants dependent on results of geological surveys which have not yet been conducted.

## NOTE 12 – AMENDMENTS AND RESTATEMENTS

Subsequent to the filing of the Company's August 31, 2020 condensed and interim financial statements, the Company identified certain errors in its condensed interim statement of financial position as of August 31, 2020, and its condensed interim statements of comprehensive loss and changes in equity for the period ended August 31, 2020. The errors are summarized below:

(a) The Company disclosed the incorrect number of common shares issued upon the completion of its Arrangement Agreement, as described in Note 1. In addition, the weighted average shares outstanding for the three months and nine months ended August 31, 2020 were also calculated incorrectly. As a result, the number of common shares issued pursuant to the Arrangement Agreement, as disclosed, decreased from 71,531,644 to 63,821,643. Furthermore, for the three months and nine months ended August 31, 2020, the loss per share increased from $0.00 and $0.00 to $0.01 and $0.02, respectively.

(b) The Company did not properly account for the issuance of common shares for exploration and evaluation assets during the nine months ended August 31, 2020. As a result, the Company's exploration and evaluation assets increased from $211,516 to $248,616 and share capital increased to $37,101.

(c) The Company did not disclose certain commitments and subsequent events pertaining to its mineral properties and issuance of common shares. The updated disclosures are noted in Note 11 and Note 13 of these condensed interim financial statements.

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent to August 31, 2020:

(a) The Company granted 7,153,164 stock options to certain officers and directors of the Company. The stock options are exercisable at a price of $0.10 for a period of five years from the date of grant.

(b) The Company issued 3,500,000 common shares pursuant to an agreement to purchase two mineral exploration licenses consisting of 30 mineral claims in Newfoundland and Labrador known as the Caledonia Brook Property. Furthermore, the Company also renegotiated and revised the consideration for Grand Falls – Windsor property, whereby, the existing option agreement dated October 30, 2017 was terminated and the Company will pay $5,000 in cash to acquire 100% of the Grand Falls – Windsor property.

(c) The Company issued 500,000 common shares pursuant to an agreement to purchase three mineral exploration licenses consisting of 21 claims in Newfoundland and Labrador known as the Manuels property. In addition, the Company is also required to make cash payments totaling $72,000 over a period of ten years.