

INTERNATIONAL MONTORO RESOURCES INC.
Financial Statements
Three months ended November 30, 2019
Expressed in Canadian Dollars - Unaudited

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

INTERNATIONAL MONTORO RESOURCES INC.

Statements of Financial Position

(Expressed in Canadian dollars - unaudited)

	Notes	November 30, 2019	August 31, 2019
ASSETS			
Current assets			
Cash		\$ 5,363	\$ 11,791
Amounts recoverable	4	8,912	9,904
Due from related party		1,313	1,313
Prepaid expenses and deposits		2,626	3,926
		18,214	26,934
Non-current assets			
Exploration and evaluation assets	5	2,519,444	2,515,464
		\$ 2,537,658	\$ 2,542,398
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 303,707	\$ 282,106
Promissory notes	9 and 11	179,896	172,403
Due to related parties	9	415,092	389,508
		898,695	844,017
Shareholders' equity			
Share capital	7	11,921,457	11,921,457
Share subscription advance		400	400
Reserves	8	1,101,766	1,101,766
Deficit		(11,384,660)	(11,325,242)
		1,638,963	1,698,381
		\$ 2,537,658	\$ 2,542,398

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors

"Gary Musil" Director
Gary Musil

"Fraser Rieche" Director
Fraser Rieche

The accompanying notes are an integral part of these financial statements

INTERNATIONAL MONTORO RESOURCES INC.
 Statements of Operations and Comprehensive Loss
 (Expressed in Canadian dollars - unaudited)

	Notes	Three months ended	
		November 30, 2019	November 30, 2018
Expenses			
Bank and interest charges		\$ 910	\$ 606
Consulting fees		-	2,800
Filing and transfer agent fees		2,444	7,785
Loan interest	11	7,493	7,104
Management fees	9	15,000	15,000
Office and miscellaneous	9	1,846	1,567
Professional fees		3,421	6,350
Rent	9	7,050	7,050
Salaries and benefits	9	1,221	1,161
Telephone		593	543
Travel and promotion		19,440	7,325
Total expenses		(59,418)	(57,291)
Net and total comprehensive loss for the period		\$ (59,418)	\$ (57,291)
Weighted average number of common shares			
outstanding (basic and diluted)		38,207,105	27,285,896
Basic and diluted net loss per share		\$ (0.00)	\$ (0.00)

The accompanying notes are an integral part of these financial statements

INTERNATIONAL MONTORO RESOURCES INC.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars - unaudited)

	Share capital						
	Number of shares	Amount	Share subscription advance	Option Reserves	Warrant reserves	Deficit	Total
Balance at August 31, 2018	25,097,105	\$ 11,206,006	\$ 45,400	\$ 1,019,628	\$ 60,996	\$ (10,951,480)	\$ 1,380,550
Loss for the period		-	-	-	-	(57,291)	(57,291)
Shares issued pursuant to private placement	1,660,000	83,000	(45,000)	-	-	-	38,000
Units issued for debt settlement	1,000,000	50,000	-	-	-	-	50,000
Balance at November 30, 2018	27,757,105	\$ 11,339,006	\$ 400	\$ 1,019,628	\$ 60,996	\$ (11,008,771)	\$ 1,411,259
Balance at August 31, 2019	38,207,105	\$ 11,921,457	\$ 400	\$ 1,013,732	\$ 88,034	\$ (11,325,242)	\$ 1,698,381
Loss for the period	-	-	-	-	-	(59,418)	(59,418)
Balance at November 30, 2019	38,207,105	\$ 11,921,457	\$ 400	\$ 1,013,732	\$ 88,034	\$ (11,384,660)	\$ 1,638,963

The accompanying notes are an integral part of these financial statements

INTERNATIONAL MONTORO RESOURCES INC.

Statements of Cash Flows

(Expressed in Canadian dollars - unaudited)

	Three months ended	
	November 30, 2019	November 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (59,418)	\$ (57,291)
Adjustments to reconcile loss to net cash used in operating activities:		
Interest accrued on loans and payables	7,493	7,651
Changes in non-cash items:		
Decrease (increase) in amounts recoverable	992	14,511
Decrease (increase) in prepaid expenses and deposits	1,300	1,300
Increase (decrease) in accounts payable and accrued liabilities	12,842	(32,857)
Net cash used in operating activities	(36,791)	(66,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Accounts payable and due to related parties related to evaluation and exploration assets	8,759	-
Exploration and evaluation assets	(3,980)	(6,980)
Net cash used in investing activities	4,779	(6,980)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares, net of share issue costs	-	83,000
Share subscription	-	(45,000)
(Decrease) increase in due to related parties	25,584	26,283
Net cash provided by financing activities	25,584	64,283
Increase (Decrease) in cash	(6,428)	(9,383)
Cash, beginning of the period	11,791	20,710
Cash, end of the period	\$ 5,363	\$ 11,327
Supplemental disclosure of cash flow information:		
Cash paid (received) for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 12)

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

International Montoro Resources Inc. (the “Company”) was incorporated on January 30, 1987 under the laws of the Province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “IMT”.

The corporate office and principal place of business of the Company is 625 Howe Street, Suite 600, Vancouver, British Columbia, Canada, V6C 2T6.

The Company is in the business of exploring its mineral exploration assets and has not yet determined whether these properties contain ore reserves that are economically recoverable. At November 30, 2019 the Company was in the exploration stage and had interests in properties in Canada.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. There is significant uncertainty regarding the outcome of these matters. The Company has sustained losses from operations, and has an ongoing requirement for capital investment to explore its exploration and evaluation assets. As at November 30, 2019, the Company had a working capital deficiency of \$880,481 (August 31, 2018 – \$817,083). Based on its current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its current plans. These uncertainties cast substantial doubt about the Company’s ability to continue as a going concern. The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on January 29, 2020 by the directors of the Company.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these financial statements comply with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 31 August 2019.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is the Company’s functional currency, unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with 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 revenues and 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 made in the preparation of these financial statements include the recoverable value of exploration and evaluation assets, and the valuation of provisions for restoration and environmental liabilities. Significant judgements include assessment of going concern assumption, recognition of deferred tax assets, determination of cash-generating units, selection of fair value models, and the determination of technical feasibility and commercial viability of mineral properties.

Foreign currency translation

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

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operations and comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Share-based payment

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payment to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the contributed surplus. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. All equity-settled share-based payment is reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Amendments to IFRS 2 Share-based Payment were effective January 1, 2018 and had no significant impact on the financial statements.

Financial instruments

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments ("IFRS 9") as of September 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in profit or loss in the statement of comprehensive loss for the period. Financial assets and financial liabilities classified at amortized cost are using the effective interest method.

The Company completed a detailed assessment of its financial assets and liabilities as at September 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification (measurement) IAS 39	New classification and measurement IFRS 9
Cash	Loans and receivables (amortized cost)	Amortized cost
Due from related party	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Promissory notes	Other financial liabilities (amortized cost)	Amortized cost
Due to related parties	Other financial liabilities (amortized cost)	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on September 1, 2018.

2. Significant accounting policies and basis of preparation (cont'd)

Impairment of assets

The carrying amount of the Company's assets (which include property and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Income taxes

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Exploration and evaluation assets

The Company is in the exploration stage in respect to its exploration and evaluation assets.

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

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors and depreciation on property and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Where the Company has entered into option agreements for the acquisition of an interest in exploration and evaluation assets which provided for periodic payments, such amounts unpaid are not recorded as a liability when they are payable entirely at the Company's discretion. Although the Company has taken steps to verify title to the exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. The exploration and evaluation assets may be subject to prior undetected agreements or transfers and title may be affected by such defects.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written-off to profit or loss.

2. Significant accounting policies and basis of preparation (cont'd)

The Company assesses exploration and evaluation assets for indications of impairment at each reporting date.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mine development cost”. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Any incidental revenue earned in connection with exploration activities is applied as a reduction to capitalized exploration costs. Any operational income earned in connection with exploration activities is recognized in the profit or loss.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. The Company does not have any provisions for rehabilitation obligations.

Flow-through shares

The Company may from time to time, issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability and deferred tax expense for the amount of tax reduction renounced to the shareholders. The reduction of the flow-through share premium previously recorded is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with the Tax Act. When applicable, this tax is accrued as a financial expense until paid.

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. The Company's common shares, share warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Significant accounting policies and basis of preparation (cont'd)

Loss per share

The Company applies the "Treasury Stock Method" to calculate loss per common share. Under this method, the basic loss per share is calculated based on the weighted average aggregate number of common shares outstanding during each period. The diluted loss per share assumes that the outstanding stock options and share purchase warrants had been exercised at the beginning of the period and proceeds from dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share warrants and options had an anti-dilutive impact in 2020 and 2019.

Warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants. Any fair value attributed to the warrants is recorded as warrants reserve. If the warrants are exercised, the related amount is reclassified as share capital.

3. New accounting standards adopted and issued

The Company has adopted the following new and revised accounting pronouncement.

IFRS 16 Leases - IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. Adoption of the new standard is not expected to impact the financial statements

4. Amounts recoverable

	November 30, 2019	August 31, 2019
Goods and services tax recoverable	\$ 3,198	\$ 6,706
Quebec sales tax recoverable	5,714	3,198
	\$ 8,912	\$ 9,904

INTERNATIONAL MONTORO RESOURCES INC.
Notes to the Financial Statements
(Expressed in Canadian dollars - unaudited)
For the three months ended November 30, 2019

5. Exploration and evaluation assets

	Canada						Total
	Crackingstone	Serpent River	Chuchinka	Duhamel	Wicheeda	Other	
Balance, August 31, 2019	\$ 1	\$ 2,147,367	\$ 1	\$ 169,120	\$ 198,972	\$ 3	\$ 2,515,464
<u>Exploration and evaluation costs:</u>							
Geological consulting	-	-	-	-	1,500	-	1,500
Geophysics	-	744	-	-	-	-	744
Travel, reports and miscellaneous	-	-	-	-	1,736	-	1,736
	-	744	-	-	3,236	-	3,980
Total expenditures for the period	-	744	-	-	3,236	-	3,980
Balance, November 30, 2019	\$ 1	\$ 2,148,111	\$ 1	\$ 169,120	\$ 202,208	\$ 3	\$ 2,519,444

	Canada						Total	
	Crackingstone	Orbit Lake	Serpent River	Chuchinka	Duhamel	Wicheeda		Other
Balance, August 31, 2018	\$ 1	\$ 1	\$ 2,122,664	\$ 1	\$ 104,120	\$ -	\$ 3	\$ 2,226,790
<u>Acquisition costs:</u>								
Additions								
Cash	-	-	-	-	5,000	35,055	-	40,055
Shares	-	-	-	-	60,000	-	-	60,000
Units	-	-	-	-	-	73,356	-	73,356
	-	-	-	-	65,000	108,411	-	173,411
<u>Exploration and evaluation costs:</u>								
Assays and testing	-	-	-	-	-	17,303	-	17,303
Geological consulting	-	-	250	-	-	34,722	-	34,972
Geophysics	-	-	13,153	-	-	13,050	-	26,203
Travel, reports and miscellaneous	-	-	11,300	-	-	25,486	-	36,786
	-	-	24,703	-	-	90,561	-	115,264
Total expenditures for the year	-	-	24,703	-	65,000	198,972	-	288,675
Writedown due to impairment	-	(1)	-	-	-	-	-	(1)
Balance, August 31, 2019	\$ 1	\$ -	\$ 2,147,367	\$ 1	\$ 169,120	\$ 198,972	\$ 3	\$ 2,515,464

5. Exploration and evaluation assets (cont'd)

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

a. Serpent River Project (Ontario)

The Company entered into an agreement to acquire a 100% interest in ten mining claims in the Sault Ste. Marie Mining Division, Elliot Lake area, in Northern Ontario. Terms of the agreement include the issuance of 100,000 common shares at a value of \$91,000 (issued) and \$500,000 in cash (paid). In addition, there is a 2.0% net smelter return relating to the acquisition. The Company may at any time purchase 1.0% of the NSR for \$1.5 million. A finders' fee of 5,000 common shares valued at \$8,550 and \$25,000 cash has been paid.

b. Duhamel Property (Quebec)

On January 24, 2018 the Company entered into an agreement to acquire a 100% interest in nine GESM mineral cells in Quebec known as the Duhamel Property. Terms of the agreement are as follows:

- (a) Payment of \$10,000 upon signing of the agreement (paid);
- (b) Issuance of an aggregate of 1,000,000 common shares of the Company (issued at a value of \$55,000);
- (c) Payment of an additional \$50,000, or at the discretion of the Company, additional shares at 12 months from Exchange approval (issued 1,000,000 shares at a value of \$60,000);
- (d) Payment of an additional \$50,000, or at the discretion of the Company, additional shares at 24 months from Exchange approval;
- (e) Incurring or funding \$150,000 in exploration expenditures on the Duhamel Property:
 - (i) \$25,000 on or before 12 months from Exchange approval (incurred);
 - (ii) An additional \$50,000 on or before 24 months from Exchange approval; and
 - (iii) An additional \$75,000 on or before 36 months from Exchange approval.

Finders fees are payable as follows:

- (a) Payment of \$1,000 upon signing of the agreement (paid);
- (b) Payment of \$5,000 within five days of TSX approval (paid);
- (c) Payment of \$5,000 12 months from Exchange approval (paid);
- (d) Payment of \$5,000 24 months from Exchange approval, provided the Company has not terminated the agreement.

During 2018, the Company staked an additional 32 claims adjacent to the existing claim block.

c. Wicheeda North Property (British Columbia)

On January 31, 2019 the Company entered into an agreement to acquire a 100% interest in four mineral claims located in the Cariboo Mining Division northeast of Prince George, British Columbia. Terms of the agreement are as follows:

- (a) Payment of a total of \$50,000 as follows:
 - i. \$25,000 upon Exchange approval of the agreement (paid);
 - ii. \$25,000 within one year of signing the agreement

6. Exploration and evaluation assets (cont'd)

- (b) Issuance of an aggregate of 1,000,000 units of the Company upon Exchange approval. Each unit consists of one common share and one transferable share purchase warrant entitling the holder to acquire one common share at a price of \$0.10 until May 29, 2021. The shares were valued at \$50,000 and the warrants were valued at \$23,356 using volatility of 119.90%, interest rate of 1.53% and dividend yield of 0.00%;
- (c) Payment of 2% Net Smelter Return Royalty (“NSR”). The Company may acquire one-half of the NSR for \$1 million within five years of the Agreement Date.

7. Accounts payable and accrued liabilities

	November 30, 2019	August 31, 2019
Accounts payable	\$ 255,953	\$ 268,389
Accrued liabilities	44,500	21,000
Part XII.6 tax payable	3,254	3,254
	\$ 303,707	\$ 292,643

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At November 30, 2019 there were 38,207,105 issued and fully paid common shares (August 31, 2019 – 38,207,105).

Issuances

During the year ended August 31, 2019 the Company issued a total of 2,600,000 common shares pursuant to the exercise of share purchase warrants at prices between \$0.06 and \$0.065 for total proceeds of \$160,525.

During the year ended August 31, 2019 the Company issued at total of 550,000 common shares pursuant to the exercise of stock options at a prices of \$0.055 and \$0.06 per share for total proceeds of \$30,750. The fair value of \$26,859 was transferred from option reserves to share capital. The average trading share prices on the dates of exercise of these options were \$0.06 and \$0.045

On July 25, 2019 the Company issued a total of 950,000 units at \$0.05 per unit for total gross proceeds of \$47,500. The unit financing consisted of one common share and one transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.08 per share until July 25, 2021. Finder’s fees of \$3,000 cash were paid and 60,000 non-transferable broker’s warrants were paid. The broker’s warrants were valued at \$1,182 using volatility of 109.22%, interest rate of 1.55% and dividend yield of 0.00%.The warrant has the same terms as above.

On May 29, 2019 the Company issued 1,000,000 units valued at \$50,000 pursuant to a property acquisition. The unit consists of one common share and one two year transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.10 per share until May 29, 2021. The warrants were valued at \$23,356 using volatility of 119.90%, interest rate of 1.53% and dividend yield of 0.00%.

7. Share capital (cont'd)

On April 4, 2019 the Company issued a total of 2,050,000 units at \$0.05 per unit for total gross proceeds of \$102,500. The unit financing consisted of one common share and one transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.10 per share until April 4, 2021. Finder's fees of \$4,000 cash were paid and 80,000 non-transferable broker's warrants were paid. The broker's warrants were valued at \$2,500 using volatility of 123.28%, interest rate of 1.46% and dividend yield of 0.00%. The warrant has the same terms as above.

On March 21, 2019 the Company issued a total of 2,300,000 units at \$0.05 per unit for total gross proceeds of \$115,000. The unit financing consisted of one common share and one transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.10 per share until March 20, 2021.

On February 19, 2019 the Company issued a total of 1,000,000 common shares valued at \$60,000 to acquire a mineral property.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the period ended November 30, 2019 and year ended August 31, 2019 are as follows:

	November 30, 2019		August 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	1,905,000	\$ 0.06	2,315,000	\$ 0.09
Options granted	-	-	450,000	0.055
Options exercised	-	-	(550,000)	0.055
Options expired	-	-	(310,000)	0.25
Options outstanding, end of period	1,905,000	\$ 0.06	1,905,000	\$ 0.06
Options exercisable, end of period	1,905,000	\$ 0.06	1,905,000	\$ 0.06

Details of options outstanding as at November 30, 2019 are as follows:

Weighted average exercise price (\$)	Weighted average contractual life	Number of options outstanding
0.06	1.07 years	1,905,000

7. Share capital (cont'd)

Stock options (cont'd)

The weighted average fair value of options granted during the period was \$nil (August 31, 2019 - \$0.05). The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	August 31, 2019
Expected life of options	3 years
Annualized volatility	135.51%
Risk-free interest rate	1.92%
Dividend rate	0%

Volatility is calculated based on the historical trading price of the Company's shares.

Warrants

The changes in warrants during the period ended November 30, 2019 and year ended August 31, 2019 are as follows:

	November 30, 2019		August 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of period	14,496,200	\$ 0.08	9,192,200	\$ 0.10
Issued	-	-	8,100,000	0.09
Exercised	-	-	(2,600,000)	0.06
Expired	(1,837,000)	0.07	(196,000)	0.10
Balance, end of period	12,659,200	\$ 0.08	14,496,200	\$ 0.08

On October 24, 2019, the Company received TSX Venture Exchange approval of the Warrant Exercise Incentive Program to encourage the early exercise of certain outstanding warrants (the "Original Warrants"). Under the program, holders of the Original Warrants (2,155,000 at \$0.065 expiring December 27, 2019 & 2,400,000 at \$0.06 expiring January 5, 2020) would have been entitled to receive one common share and one replacement warrant (the "Replacement Warrant") as consideration for agreeing to exercise their Original Warrant by November 18, 2019 – 30 days from the Company's October 18, 2019 initial news release announcing the program. The Replacement Warrants would have been exercisable into common shares at \$0.075 for a one year period. No warrants were exercised under this program and all warrants reverted to their original terms and expiry dates.

Details of warrants outstanding as at November 30, 2019 are as follows:

<u>Date of expiry</u>	<u>Number</u>	<u>Exercise Price</u>
		\$
December 27, 2019	2,155,000	0.065
December 27, 2019	87,200	0.10
January 5, 2020	2,000,000	0.06
January 5, 2020	512,000	0.10
September 18, 2020	1,465,000	0.08
March 20, 2021	2,300,000	0.10
April 4, 2021	2,130,000	0.10
May 29, 2021	1,000,000	0.10
July 25, 2021	1,010,000	0.08
	12,659,200	

7. Reserves

The reserves recorded on the Company's statement of financial position are composed of the value of stock option grants and share purchase warrants prior to exercise at which time the corresponding amount will be transferred to share capital. The Company uses the Black Scholes model to determine the fair value of stock option grants and share purchase warrants.

8. Related party transactions

Related party balances

The following amounts are due to related parties:

	November 30, 2019	August 31, 2019
CEO/President	\$ 284,710	\$ 268,514
Company with directors and officers in common	130,382	120,994
	\$ 415,092	\$ 389,508

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions

The Company incurred the following transactions with a company related by common directors.

	For the three months ended	
	November 30, 2019	November 30, 2018
Rent	\$ 7,050	\$ 7,050
Office, secretarial, and benefits	2,901	2,840
	\$ 9,951	\$ 9,890

Key management personnel compensation

	For the three months ended	
	November 30, 2019	November 30, 2018
Short-term employee benefits – management fees	\$ 15,000	\$ 15,000
	\$ 15,000	\$ 15,000

Effective February 1, 2012 the Company signed a renewal and Amendment to the Management Agreement effectively increasing the salary from \$4,500 to \$5,000 per month and continuation for a term of twenty-four (24) months. In February 2014, 2016, and 2018 the agreement was renewed for an additional two years and will automatically renew unless terminated as detailed in the agreement.

10. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

The Company is exposed to credit risk by holding cash. Holding the cash in large Canadian financial institutions minimizes this risk. The Company has minimal accounts receivable exposure, and its various refundable credits are due from the Canadian government.

Currency Risk

The Company's functional currency is the Canadian dollar. There is minimal foreign exchange risk to the Company as its mineral property interests are located in Canada. Management monitors its foreign currency balances and make adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates. The Company pays interest on loans at a fixed interest rate which does not pose an interest rate risk. Currently, this risk will have an immaterial effect on operations.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices which may affect financing options available to the Company.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages this risk by careful management of its working capital and deferring related party payables.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at November 30, 2019 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Capital Management

The Company is engaged in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental issues and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

The Company includes cash and equity in the definition of capital. Equity is comprised of issued common shares, reserves, and deficit.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any

10. Financial risk management (cont'd)

externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

There were no changes in the Company's approach to capital management during the year.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. 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.

Management believes that the recorded values of all cash, accounts payable and accrued liabilities, promissory notes, and amounts due to related parties approximate their current fair values because of their nature and anticipated settlement dates.

11. Promissory notes

On November 10, 2015, the Company entered into an unsecured promissory note agreement with an arm's length party to borrow \$75,000. Terms of the agreement are interest of 18% per annum, compounded quarterly, and the issuance of 20% in bonus shares (issued 60,000 shares valued at \$9,000). The loan is for a term of one year, after which it will be repayable on demand. During the period ended November 30, 2019, the Company accrued \$6,593 in interest and interest payable (August 31, 2019 - \$23,653). On November 30, 2019, the Company had \$78,105 of interest payable (August 31, 2019 - \$71,512).

On July 27, 2018, the Company entered into an unsecured demand promissory agreement with an arm's length party to borrow \$35,000. Terms of the agreement are interest at 1.5% per month and the issuance of 20% in bonus shares (issued 140,000 shares valued at \$5,600). The loan is repayable upon demand. In the year ended August 31, 2019 the Company made a \$15,000 payment against the principal. On November 30, 2019 Company had accrued \$6,791 in interest payable (August 31, 2019 - \$5,891).

12. Supplemental disclosure with respect to cash flows

During the periods ended November 30, 2019 and 2018, the Company incurred the following non-cash financing and investing transactions that are not reflected in the statement of cash flows:

	November 30, 2019 \$	November 30, 2018 \$
Non-cash financing and investing activities:		
Issuance of share capital for:		
Debt settlement	-	50,000

13. Subsequent events

Subsequent to November 30, 2019, a total of 4,754,200 warrants exercisable at prices between \$0.065 and \$0.10 expired unexercised.

Subsequent to November 30, 2019, a total of 75,000 options exercisable at a price of \$0.06 expired unexercised.

On December 12, 2019 a total of 175,000 options were exercised at a price of \$0.06 for total proceeds of \$10,500.

On December 9, 2019 the Company entered into an agreement to acquire up to 75% interest in five mineral claims in Red Lake Mining District, Ontario. To earn a 51% interest the Company will issue 1,000,000 common shares upon Exchange acceptance (issued January 14, 2020) and issue a further 500,000 common shares on the first anniversary of Exchange acceptance. The Company will make staged cash payments totaling \$65,000 over four years, incur \$100,000 in exploration expenditures before October 31, 2020, and a further \$200,000 in expenditures by October 31, 2021. Upon earning the initial 51% interest, the Company has the option to acquire a further 24% for a cash payment of \$500,000. The agreement is subject to a 2% net smelter royalty to the vendors.

On December 23, 2019 the Company entered into an unsecured demand promissory agreement with an arm's length party to borrow \$20,000. Terms of the agreement are interest at 1.5% per month and the issuance of 20% in bonus shares. The loan is repayable on demand. On January 16, 2020 the Company issued 80,000 common shares as bonus shares in connection with this loan.