



**SCOTTIE RESOURCES CORP.**

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended February 29, 2020 and February 28, 2019

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

**SCOTTIE RESOURCES CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
As at February 29, 2020 and August 31, 2019  
(Stated in Canadian Dollars)  
(Unaudited – Prepared by Management)

<b>ASSETS</b>		
	<u>February 29,</u> <u>2020</u>	<u>August 31,</u> <u>2019</u>
<b>Current assets</b>		
Cash	\$ 2,067,208	\$ 182,040
GST receivable	13,696	16,973
BCMETS receivable – Note 5	98,934	98,934
Prepaid expenses and advances	<u>94,078</u>	<u>19,641</u>
	<u>2,273,916</u>	<u>317,588</u>
<b>Non-current assets</b>		
Reclamation bonds	107,000	107,000
Exploration and evaluation assets – Note 5 and 6	<u>3,498,756</u>	<u>2,323,891</u>
	<u>3,605,756</u>	<u>2,430,891</u>
	<u>\$ 5,879,672</u>	<u>\$ 2,748,479</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 74,059	\$ 375,524
Loans payable – Notes 6 and 7	-	242,457
Due to related parties – Note 6	<u>38,960</u>	<u>222,740</u>
	<u>113,019</u>	<u>840,721</u>
<b>Equity</b>		
Share capital – Note 8	9,735,694	5,423,549
Contributed surplus	1,692,760	1,280,013
Deficit	<u>(5,661,801)</u>	<u>(4,795,804)</u>
	<u>5,766,653</u>	<u>1,907,758</u>
	<u>\$ 5,879,672</u>	<u>\$ 2,748,479</u>

Corporate Information – Note 1  
Going Concern – Note 2(c)

APPROVED AND AUTHORIZED BY THE BOARD ON APRIL 29, 2020

<u>“Bradley Rourke”</u>	Director	<u>“Ernest Mast”</u>	Director
Bradley Rourke		Ernest Mast	

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

**SCOTTIE RESOURCES CORP.****CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the six months period ended February 29, 2019 and February 28, 2018

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three months ended February 29, <u>2020</u>	Three months ended February 28, <u>2019</u>	Six months ended February 29, <u>2020</u>	Six months ended February 28, <u>2019</u>
Expenses				
Audit and accounting	\$ 5,500	\$ (500)	\$ 10,750	\$ (500)
Consulting	51,835	2,800	106,299	2,800
Conferences	9,549	-	70,730	-
Filing fees	4,657	4,179	7,430	5,779
Insurance	3,323	2,750	7,687	5,119
Legal fees	6,103	12,473	12,786	17,286
Management fees – Note 6	48,000	43,500	96,000	87,000
Marketing	14,420	-	24,233	-
Office and miscellaneous	12,691	8,669	42,097	11,055
Share-based payments – Note 9	(9,654)	21,000	378,582	21,000
Shareholder communications	29,540	4,138	59,935	4,138
Transfer agent	1,655	2,535	5,593	4,316
Travel and accommodation	<u>17,596</u>	<u>10,002</u>	<u>89,651</u>	<u>15,538</u>
Loss before other items:	(195,215)	(111,546)	(911,773)	(173,531)
Other items				
Foreign exchange loss	(332)	-	(1,970)	-
Flow-through premium	<u>-</u>	<u>-</u>	<u>47,746</u>	<u>-</u>
<b>Net loss and comprehensive loss</b>	<u>\$ (195,547)</u>	<u>\$ (111,546)</u>	<u>\$ (865,997)</u>	<u>\$ (173,531)</u>
<b>Loss per share - basic and diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>82,549,833</u>	<u>59,572,183</u>	<u>77,225,706</u>	<u>59,572,183</u>

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

**SCOTTIE RESOURCES CORP.**

## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the six months period ended February 29, 2019 and February 28, 2018

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

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	# of Issued Common Shares	Amount	Contributed Surplus	Deficit	Total
<b>Balance, August 31, 2018</b>	<b>59,572,183</b>	<b>\$ 4,662,451</b>	<b>\$ 961,030</b>	<b>\$ (3,994,454)</b>	<b>\$ 1,629,027</b>
Share-based payments – Note 9	-	-	21,000	-	21,000
Net loss and comprehensive loss	-	-	-	(173,531)	(173,531)
<b>Balance, February 28, 2019</b>	<b><u>59,572,183</u></b>	<b><u>\$ 4,662,451</u></b>	<b><u>\$ 982,030</u></b>	<b><u>\$ (4,167,985)</u></b>	<b><u>\$ 1,476,496</u></b>
<b>Balance, August 31, 2019</b>	<b>62,937,183</b>	<b>\$ 5,423,549</b>	<b>\$ 1,280,013</b>	<b>\$ (4,795,804)</b>	<b>\$ 1,907,758</b>
Shares issued for cash:					
Private placement – Note 8	24,206,991	4,330,950	-	-	4,330,950
Less: share issue costs – Note 8	600,000	(112,809)	34,165	-	(78,644)
Less: Flow-through premium	-	(47,746)	-	-	(47,746)
Shares issued to settle debt	567,000	141,750	-	-	141,750
Share-based payments – Note 9	-	-	378,582	-	378,582
Net loss and comprehensive loss	-	-	-	(865,997)	(865,997)
<b>Balance, February 29, 2020</b>	<b><u>88,311,174</u></b>	<b><u>\$ 9,735,694</u></b>	<b><u>\$ 1,692,760</u></b>	<b><u>\$ (5,661,801)</u></b>	<b><u>\$ 5,766,653</u></b>

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

**SCOTTIE RESOURCES CORP.****CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

For the six months period ended February 29, 2020 and February 28, 2019

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Net loss	\$ (865,997)	\$ (173,531)
Add items not affecting cash:		
Financing costs	(12,457)	-
Share-based payments	378,582	21,000
Flow-through obligation recovery	(47,746)	-
Changes in working capital balances related to operations:		
GST receivable	3,277	10,777
Prepaid expenses and advances	(74,437)	(8,409)
Accounts payable and accrued liabilities	(83,920)	9,467
Due to related parties	<u>(113,020)</u>	<u>61,950</u>
	<u>(815,718)</u>	<u>(78,746)</u>
Investing Activities		
Exploration and evaluation expenditures	<u>(1,321,420)</u>	<u>(349,402)</u>
	<u>(1,321,420)</u>	<u>(349,402)</u>
Financing Activities		
Loan funds repaid	(230,000)	-
Common shares issued for cash	4,330,950	-
Share issue costs	<u>(78,644)</u>	<u>-</u>
	<u>4,022,306</u>	<u>-</u>
Increase (decrease) in cash	1,885,168	(428,148)
Cash, beginning	<u>182,040</u>	<u>477,576</u>
Cash, ending	<u>\$ 2,067,208</u>	<u>\$ 49,428</u>

Non-cash Transactions – Note 11

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

## **SCOTTIE RESOURCES CORP.**

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

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#### 1. Corporate Information

Scottie Resources Corp. (formerly Rotation Minerals Ltd.) (the “Company”) is an exploration stage company incorporated on November 24, 2009 in British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in British Columbia, Canada. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol “SCOT”.

The Company’s registered and records address is PO Box 48202 Bentall, Vancouver, British Columbia, V7X 1H8.

#### 2. Basis of Preparation

##### a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) IAS 34 “Interim Financial Reporting”.

These condensed interim financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS. These condensed interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended August 31, 2019 and 2018.

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

##### b) Basis of Measurement

These financial statements have been prepared using the historical cost basis except for financial instruments that have been measured at fair value.

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**SCOTTIE RESOURCES CORP.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

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2. Basis of Preparation – (cont'd)

c) Going Concern

As at February 29, 2020, the Company has a working capital of \$2,160,897 and an accumulated deficit of \$5,661,801. In addition, the Company has not generated revenues from operations and it expects to incur further losses in the exploration and evaluation of its mineral properties. These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company's ability to obtain adequate financing to develop the reserves, and its ability to commence profitable operations in the future. These conditions indicate material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company has been able to fund operations and mineral property exploration through equity financings. Uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make the Company more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.



## **SCOTTIE RESOURCES CORP.**

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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(Stated in Canadian Dollars)

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#### 3. Significant Accounting Policies

##### New and revised standards and interpretations

Accounting policies used in the preparation of these condensed interim financial statements are consistent with those described in the Company's audited annual financial statements for the year ended August 31, 2019, except for the following change to IFRS, which were adopted as at September 1, 2019:

##### *IFRS 16, Leases:*

This new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term of longer than 12 months.

The Company has no leases as at August 31, 2019 or February 29, 2020, therefore the adoption of IFRS 16 did not have a material impact on the Company's condensed interim financial statements.

#### 4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

##### a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

## **SCOTTIE RESOURCES CORP.**

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

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#### 4. Critical Accounting Estimates and Judgments – (cont'd)

##### b) Rehabilitation Provisions

Rehabilitation provisions have been determined to be \$Nil based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

##### c) Share-Based Payments

The Company uses the Black Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

##### d) Valuation of Deferred Tax Assets

The Company makes a determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

#### 5. Exploration and Evaluation Assets

##### a) Black Hills

The Company owns a 100% interest in the Black Hills property located in the Golden Triangle mining district of British Columbia. In 2013, the Company purchased the Black Hills mineral claims for \$10,000 from a company that was managed by a former director of the Company. The Company staked additional claims at Black Hills at a cost of \$1,680 during the year ended August 31, 2018.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

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5. Exploration and Evaluation Assets – (cont'd)

b) Scottie

The Company owns a 100% interest in the Scottie Property. The Scottie property is located in the Golden Triangle mining district of British Columbia.

The property is subject to a 3% net smelter return royalty. The Company has the right to purchase 2% for \$600,000.

c) Stock

The Company staked a 100% interest the Stock property. The Stock property is located south of the Company's Scottie property in the Golden Triangle mining district of British Columbia.

d) Ruby Silver

On March 9, 2018, the Company purchased a 100% interest in the Ruby Silver property located in the Golden Triangle mining district of British Columbia for \$100,000.

e) Bow

On December 12, 2018, the Company entered into an option agreement with another public company with a director in common with the Company to acquire a 100% interest in the Bow property located in the Golden Triangle mining district of British Columbia. The Bow property is subject to a 3% net smelter return royalty, of which the Company may purchase 66.67% (2%) for \$600,000. The Bow is contiguous with the Company's Scottie property.

The terms of the option agreement call for cash payments totalling \$1,000,000 to be paid as follows:

- \$200,000 on TSXV approval of the option agreement (paid);
- \$200,000 on or before June 12, 2019 (paid);
- \$200,000 on or before December 12, 2019 (paid)
- \$200,000 on or before June 12, 2020; and <sup>1</sup>
- \$200,000 on or before December 12, 2020.<sup>1</sup>

<sup>1</sup> Subsequent to period end the Company renegotiated the terms of the payment schedule and accelerated the earn-in. The final two payments totalling \$400,000 were renegotiated and replaced with a single payment of \$300,000. The Company made the final payment of \$300,000 and acquired 100% of the Bow property.

**SCOTTIE RESOURCES CORP.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

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5. Exploration and Evaluation Assets – (cont'd)

f) Bitter Creek

On March 1, 2019, the Company entered into an option agreement to acquire a 100% interest in the Bitter Creek property located in the Golden Triangle mining district of British Columbia. Bitter Creek is subject to a 2.5% net smelter return royalty. Bitter Creek is contiguous with the Company's Black Hills and Ruby Silver properties.

The terms of the Agreement call for payments totalling \$850,000 to be paid as follows:

- \$5,000 upon signing of the agreement (paid);
- \$10,000 within five business days of receiving TSXV approval of the agreement. TSXV approval was received on March 20, 2019 (the "Approval Date") (paid);
- \$60,000 within five business days of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company (paid in cash);
- \$75,000 within 6 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company (paid);
- \$100,000 within 12 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company; (\$10,000 paid during period and \$90,000 settled subsequent to period end)
- \$100,000 within 18 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$100,000 within 24 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$100,000 within 30 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$150,000 within 36 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$150,000 within 42 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>

<sup>1</sup> Subsequent to period end the Company renegotiated the terms of the agreement and accelerated the earn-in. The Company negotiated and made a one-time payment of \$325,000 and issued 1,000,000 common shares and acquired 100% of the Bitter Creek property.

The Company may purchase 60% (1.5%) of the net smelter return royalty for \$1,500,000.

**SCOTTIE RESOURCES CORP.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

(Stated in Canadian Dollars)

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5. Exploration and Evaluation Assets – (cont'd)

g) Summit Lake

On April 26, 2019, the Company entered into an option agreement to acquire a 100% interest in a land package directly adjacent to the Scottie property known as the Summit Lake property. The mineral claims comprising the land package cover 1,583 hectares.

The terms of the option agreement call for cash payments totalling \$250,000 to be paid as follows:

- \$50,000 on TSXV approval of the option agreement (paid);
- \$50,000 on or before April 26, 2020; (paid subsequent to period end)
- \$50,000 on or before April 26, 2021;
- \$50,000 on or before April 26, 2022; and
- \$50,000 on or before April 26, 2023.

The terms of the option agreement call for share payments totalling 2,200,000 common shares to be issued as follows:

- 200,000 on TSXV approval of the option agreement (issued);
- 400,000 on or before April 26, 2020; (issued subsequent to period end)
- 500,000 on or before April 26, 2021;
- 500,000 on or before April 26, 2022; and
- 600,000 on or before April 26, 2023.

The Summit Lake property is subject to a 1.8% gross smelter return royalty. The Company has the right to purchase 0.8% of the royalty for \$1,000,000 at any time.

The Company also staked additional adjacent mineral claims for \$13,695.

**SCOTTIE RESOURCES CORP.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

5. Exploration and Evaluation Assets – (cont'd)

	<u>Scottie</u>	<u>Bow</u>	<u>Stock</u>	<u>Black Hills</u>	<u>Ruby Silver</u>	<u>Summit Lake</u>	<u>Bitter Creek</u>	<u>Total</u>
<u>Property acquisition costs</u>								
Balance, August 31, 2018	\$ 377,849	\$ -	\$ 7,225	\$ 11,680	\$ 100,000	\$ -	\$ -	\$ 496,754
Cash	-	400,000	12,428	-	-	63,695	75,000	551,123
Shares	-	-	-	-	-	42,000	-	42,000
Balance, August 31, 2019	377,849	400,000	19,653	11,680	100,000	105,695	75,000	1,089,877
Cash	-	200,000	-	-	-	-	85,000	285,000
Balance, February 29, 2020	<u>\$ 377,849</u>	<u>\$ 600,000</u>	<u>\$ 19,653</u>	<u>\$ 11,680</u>	<u>\$ 100,000</u>	<u>\$ 105,695</u>	<u>\$ 160,000</u>	<u>\$ 1,374,877</u>
<u>Exploration and evaluation costs</u>								
Balance, August 31, 2018	\$ 927,985	\$ -	\$ -	\$ 20,426	\$ -	\$ -	\$ -	\$ 948,411
Assays	3,481	1,754	-	872	3,059	-	7,443	16,609
Equipment rental	36,651	-	-	19,340	-	-	-	55,991
Field costs	88,973	19,880	-	23,710	7,226	28,877	1,110	169,776
Geological	144,927	33,725	2,400	28,925	1,200	9,475	31,645	252,297
Balance, August 31, 2019	1,202,017	55,359	2,400	93,273	11,485	38,352	40,198	1,443,084
Assays	5,687	8,547	1,990	2,984	10,281	24,800	20,453	74,742
Drilling	277,216	-	-	-	-	-	-	277,216
Equipment rental	120,334	-	-	2,509	-	-	-	122,843
Field costs	89,527	10,674	-	-	4,198	17,842	-	122,241
Geological	263,303	11,480	-	1,304	4,383	9,900	2,453	292,823
Balance, February 29, 2020	<u>\$ 1,958,084</u>	<u>\$ 86,060</u>	<u>\$ 4,390</u>	<u>\$ 100,070</u>	<u>\$ 30,347</u>	<u>\$ 90,894</u>	<u>\$ 63,104</u>	<u>\$ 2,332,949</u>
<u>BCMETC</u>								
Balance, August 31, 2018	\$ (106,636)	\$ -	\$ -	\$ (3,500)	\$ -	\$ -	\$ -	\$ (110,136)
Additions	(54,806)	(11,072)	(480)	(14,569)	(2,297)	(7,670)	(8,040)	(98,934)
Balance, August 31, 2019 and February 29, 2020	<u>\$ (161,442)</u>	<u>\$ (11,072)</u>	<u>\$ (480)</u>	<u>\$ (18,069)</u>	<u>\$ (2,297)</u>	<u>\$ (7,670)</u>	<u>\$ (8,040)</u>	<u>\$ (209,070)</u>
Total, August 31, 2019	\$ 1,418,424	\$ 444,287	\$ 21,573	\$ 86,884	\$ 109,188	\$ 136,377	\$ 107,158	\$ 2,323,891
Total, February 29, 2020	<u>\$ 2,174,491</u>	<u>\$ 674,988</u>	<u>\$ 23,563</u>	<u>\$ 93,681</u>	<u>\$ 128,050</u>	<u>\$ 188,919</u>	<u>\$ 215,064</u>	<u>\$ 3,498,756</u>

**SCOTTIE RESOURCES CORP.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

6. Related Party Transactions

The Company incurred the following charges by directors or officers of the Company and by companies with directors or officers in common with the Company during the six months periods ended February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Management fees	\$ 96,000	\$ 87,000
Interest expense	2,441	
Office expenses	<u>960</u>	<u>-</u>
	<u>\$ 99,401</u>	<u>\$ 87,000</u>

The Company considers all of its directors and executive officers to be key management. Included in the above are the following key management compensation charges incurred during the six months period ended February 29, 2020 and February 28, 2019:

	<u>2020</u>	<u>2019</u>
Management fees	\$ 96,000	\$ 87,000
Share-based payments	<u>193,987</u>	<u>-</u>
	<u>\$ 289,987</u>	<u>\$ 87,000</u>

At February 29, 2020, loans payable includes \$nil (August 31, 2019 - \$189,247) due to a director of the Company for loan principal and accrued interest (Note 7). During the period the Company accrued interest of \$2,441 and repaid the total loan principal and interest of \$191,688.

At February 29, 2020, due to related parties includes \$38,960 (August 31, 2019 - \$117,506) due to directors of the Company and to companies with directors in common with the Company for fees and expenses.

Except for as disclosed above and in Note 7, the amounts due to/from related parties are unsecured, non-interest bearing and due on demand.

**SCOTTIE RESOURCES CORP.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

February 29, 2020

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

7. Loans Payable

On April 29, 2019, the Company entered into two loan agreements for total proceeds of \$260,000, of which \$180,000 was from a director and officer of the Company. The loans are unsecured, bear interest at 15% per annum and are due on demand. The loans have a maximum term of five years. During the year ended August 31, 2019 the Company repaid \$30,000. During the period ended November 30, 2019, the Company incurred interest expense of \$3,099 and repaid the balance of the loans and accrued interest, totalling \$245,556. The outstanding balance as at February 29, 2020 was \$Nil (August 31, 2019 - \$242,547)

In connection with the loans, on June 19, 2019, the Company issued the lenders 980,000 bonus warrants which entitled the lenders to purchase one common share for each warrant held at \$0.21 per share until June 19, 2020. The bonus warrants were determined to have a fair value of \$56,669 which was expensed in financing costs as the loans are due on demand. The fair value of the bonus warrants issued was calculated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

	2019
Exercise price	\$0.21
Average risk-free interest rate	1.71%
Expected dividend yield	0.00%
Expected stock price volatility	86%
Expected life	1.00 years
Value per warrant	\$0.058

8. Share Capital

## a) Authorized:

Unlimited number of common shares without par value

## b) Issued:

***During the Six Months Ended February 29, 2020***

On September 25, 2019, the Company issued 819,000 flow through common shares at \$0.22 per share, and 8,087,933 non flow-through units at \$0.15 per unit for total gross proceeds of \$1,393,370. Each non flow-through unit consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one non flow-through common share of the Company at a price of \$0.22 for a period of 24 months. If the closing price of the Company's common shares is at a price equal to or greater than \$0.29 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice that the warrants will expire in 30 days.



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## 8. Share Capital (Cont'd)

## b) Issued: (Cont'd)

On October 18, 2019, the Company issued 2,036,726 flow-through common shares at \$0.22 per share, and 3,263,332 non flow-through units at \$0.15 per share for total gross proceeds of \$937,580. Each non flow-through unit consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one non flow-through common share of the Company at a price of \$0.22 for a period of 24 months. If the closing price of the Company's common shares is at a price equal to or greater than \$0.29 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice that the warrants will expire in 30 days.

In connection with private placements the September 25, 2019 and October 18, 2019 financings Company paid finders' fees of \$53,582, granted 325,392 finders' warrants and paid other share issuance costs of \$12,405. Each finder's warrant is exercisable at a price of \$0.22 for a period of 24 months. The finders' warrants were determined to have a fair value of \$34,165 which were recorded as share issuance costs. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

	2019
Exercise price	\$0.18
Average risk-free interest rate	1.46%
Expected dividend yield	0.00%
Expected stock price volatility	119.4%
Expected life	2 years
Value per warrant	\$0.105

On January 14, 2020, the Company issued 567,000 common shares at a fair value of \$0.25 per share to settle debt of \$141,750.

On January 16, 2020, the Company issued 10,000,000 non-flow through units at \$0.20 per share for total gross proceeds of \$2,000,000 pursuant to a private placement agreement. Each non-flow through unit consists of one common share and one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.30 for a period of 24 months.

In connection with the January 16, 2020 financing the Company issued 600,000 units valued at \$120,000 and paid share other share issuance costs of \$12,657. Each unit consists of one common share and one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.30 for a period of 24 months.

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## 8. Share Capital (Cont'd)

## b) Issued: (Cont'd)

***During the Year Ended August 31, 2019:***

On May 15, 2019, the Company issued 200,000 common shares with a fair value of \$42,000 for an option payment on the Summit Lake property.

On May 27, 2019, the Company issued 2,170,000 common shares at \$0.23 per share for gross proceeds of \$499,100 pursuant to private placement agreements. The Company incurred share issue costs of \$4,462 with respect to this private placement.

On June 18, 2019 the Company issued 995,000 common shares at \$0.23 per share for gross proceeds of \$228,850 pursuant to private placement agreements. The Company incurred share issue costs of \$4,390 with respect to this private placement.

c) *Share Purchase Warrants:*

A summary of share purchase warrant activity for the six months ended February 29, 2020 and for the year ended August 31, 2019 is presented below:

	Six Months Ended February 29, 2020		Year Ended August 31, 2019	
	<u>Warrants</u>	Weighted Average Exercise <u>Price</u>	<u>Warrants</u>	Weighted Average Exercise <u>Price</u>
Outstanding, beginning of period	2,611,498	\$0.23	8,798,166	\$0.26
Issued	22,276,657	\$0.26	980,000	\$0.21
Expired	(1,631,498)	\$0.25	(7,166,668)	\$0.26
Outstanding, end of period	<u>23,256,657</u>	\$0.26	<u>2,611,498</u>	\$0.23

At February 29, 2020, the Company had 12,656,657 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
980,000	\$0.21	June 19, 2020
8,305,653	\$0.22	September 25, 2021
3,371,004	\$0.22	October 18, 2021
<u>10,600,000</u>	\$0.30	January 16, 2022
<u>23,256,657</u>		

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8. Share Capital (Cont'd)

c) *Share Purchase Warrants:* (Cont'd)

At February 29, 2020, the outstanding share purchase warrants had a weighted average remaining contractual life of 1.67 years.

9. Share-based Payments

The Company has a Stock Option Plan (“the Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 11,954,437 common shares. The exercise price of options granted under the Plan may not be less than the fair market value of the Company’s common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years and vest on the date of grant or over periods determined by the directors.

***During the Six Months Ended February 29, 2020:***

On September 17, 2019, the Company granted 2,400,000 options to certain directors, officers and consultants to acquire common shares of the Company. The options are exercisable at a price of \$0.195 per share and are valid for a period of five years.

***During the Year Ended August 31, 2019:***

On May 22, 2019, the Company granted 550,000 stock options entitling the holder to purchase one common share for each option held at \$0.22 per share until May 22, 2024. These options vest 137,500 options every six months beginning May 22, 2019. At November 30, 2019, 275,000 of these options had vested. Subsequent to period end, the agreement was terminated and the options were cancelled. Previously recorded share-based compensation expense of \$24,528, relating to unvested stock options was reversed to the statement of loss.

On May 9, 2019, the Company granted 250,000 stock options entitling the holder to purchase one common share for each option held at \$0.22 per share until May 9, 2020.

On April 25, 2019, the Company granted 1,000,000 stock options entitling the holder to purchase one common share for each option held at \$0.22 per share until April 25, 2024. These options vest 250,000 options every six months beginning June 1, 2019. At November 30, 2019, 250,000 options had vested.

On March 14, 2019, the Company granted 200,000 stock options entitling the holder to purchase one common share for each option held at \$0.15 per share until March 14, 2021. During the period ended November 30, 2019, all of the options expired unexercised.

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9. Share-based Payments – (cont'd)

On December 3, 2018, the Company granted 1,000,000 stock options entitling the holder to purchase one common share for each option held at \$0.10 per share until December 3, 2023. These options vest 100,000 options per month beginning December 3, 2018. At November 30, 2019, 1,000,000 options had vested.

During the period ended February 29, 2020, the Company recognized share-based payments expense of \$403,110 (2019 - \$21,000) for options granted and vesting during the period ended February 29, 2020. The Company recognized reversals of \$24,528 (2019 - \$nil) for cancelled unvested stock options, resulting in net share-based payments expense of \$378,582 on the statement of loss. The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period.

	February 29, 2020	February 28, 2019
Risk-free interest rate	1.47	1.60%
Expected life of options	5.00 years	5.00 years
Expected annualized volatility	92.6%	252%
Dividend rate	0%	0%

A summary of stock option activity for the period ended February 29, 2020 and for the year ended August 31, 2019 is presented below:

	Six Months Ended February 29, 2020		Year Ended August 31, 2019	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of period	5,450,000	\$0.17	3,050,000	\$0.17
Granted	2,400,000	\$0.195	3,000,000	\$0.18
Cancelled/Expired	(1,400,000)	\$0.22	(600,000)	\$0.20
Outstanding, end of period	6,450,000	\$0.17	5,450,000	\$0.17

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February 29, 2020

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9. Share-based Payments – (cont'd)

At February 29, 2020, the Company had 6,450,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number of Options Outstanding</u>	<u>Number of Options Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,000,000	1,000,000	\$0.05	May 16, 2021
300,000	300,000	\$0.20	May 24, 2022
150,000	150,000	\$0.26	October 26, 2022
600,000	600,000	\$0.255	March 8, 2023
1,000,000	1,000,000	\$0.10	December 3, 2023
1,000,000	500,000	\$0.22	April 25, 2024
2,400,000	2,400,000	\$0.195	September 17, 2024
<u>6,450,000</u>	<u>5,950,000</u>		

At February 29, 2020, the outstanding stock options had a weighted average remaining contractual life of 3.51 years.

10. Financial Instruments

Cash is carried at FVTPL, Reclamation bonds, accounts payable and accrued liabilities, loans payable and due to related parties are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

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10. Financial Instruments - (Cont'd)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and advances from related parties are all current and due within 90 days of the balance sheet date.

11. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transaction has been excluded from the statements of cash flows:

*For the six months ended February 29, 2020:*

- At August 31, 2019, accounts payable and accrued liabilities included \$99,421 related to exploration and evaluation costs. At February 29, 2020, accounts payable and accrued liabilities included \$23,626 related to exploration and evaluation assets.
- At August 31, 2019, due to related parties included \$70,760 related to exploration and evaluation costs. At February 29, 2020, due to related parties included \$nil related to exploration and evaluation costs.
- During the period ended February 29, 2020 the Company issued 600,000 units valued at \$120,000 and recorded \$34,165 related to finders' warrants issued as share issuance costs.
- During the period ended February 29, 2020 the Company issued 567,000 common shares to settle debt of \$141,750.

*For the six months ended February 28, 2019:*

- At August 31, 2018, accounts payable and accrued liabilities included \$11,322 related to exploration and evaluation costs. These amounts were paid during the six months ended February 28, 2019.
- At February 28, 2019, accounts payable and accrued liabilities included \$2,346 related to exploration and evaluation costs.

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11. Non-cash Transactions (Cont'd)

*For the six months ended February 28, 2019: (Cont'd)*

- At August 31, 2018, due to related parties included \$94,016 related to exploration and evaluation costs. These amounts were paid during the six months ended February 28, 2019.
- At August 31, 2018, prepaid expenses and advances included an exploration advance of \$45,778 related to exploration and evaluation costs. This advance was applied during the six months ended February 28, 2019

12. Subsequent Events

Subsequent to February 29, 2020:

- The Company renegotiated the terms of the Bitter Creek property acquisition agreement and paid \$325,000 and issued 1,000,000 common shares to acquire 100% interest in the Bitter Creek property.
- The Company renegotiated the terms of the Bow Property acquisition and paid \$300,000 to acquire 100% interest in the Bow Property.