SCOTTIE RESOURCES CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Scottie Resources Corp.

Opinion

We have audited the financial statements of Scottie Resources Corp. (the "Company") which comprise the statements of financial position as at August 31, 2020 and 2019, and the statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis which is filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
December 22, 2020

SCOTTIE RESOURCES CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT AUGUST 31, 2020 AND 2019

	August 31, 2020	August 31, 2019
ASSETS		
Current		
Cash	$ 4,742,872	$ 182,040
GST Receivable	81,169	16,973
BCMETC receivable (Note 5)	193,854	98,934
Prepaid expenses and advances	303,777	19,641
	5,321,672	317,588
Non-current assets		
Reclamation bonds	55,500	107,000
Property and equipment (Note 6)	18,562	-
Deposits (Note 6)	435,485	-
Exploration advances (Note 5)	890,879	-
Exploration and evaluation assets (Note 5)	5,785,378	2,323,891
	7,185,804	2,430,891
	$ 12,507,476	$ 2,748,479
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 149,706	$ 375,524
Loans payable (Notes 7 and 8)	-	242,457
Due to related parties (Note 7)	51,854	222,740
Flow-through premium liability (Note 9)	245,721	-
	447,281	840,721
Equity		
Share capital (Note 9)	16,311,711	5,423,549
Contributed surplus (Note 9)	2,241,945	1,280,013
Deficit	(6,493,461)	(4,795,804)
	12,060,195	1,907,758
	$ 12,507,476	$ 2,748,479

Nature and continuance of operations (Note 2(d))
Commitments (Note 10)

Approved and authorized by the Board on December 22, 2020.

"Bradley Rourke"	Director	*"Ernest Mast"*	Director
Bradley Rourke		Ernest Mast	

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

SCOTTIE RESOURCES CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended August 31,	2020	2019
EXPENSES		
Consulting	211,959	38,831
Conferences	70,730	-
Financing costs (Notes 7 and 8)	3,099	69,126
Insurance	15,330	10,619
Management fees (Note 7)	120,000	153,000
Marketing	205,191	29,437
Office and miscellaneous	74,509	24,770
Professional fees (Note 7)	117,164	94,554
Share-based payments (Note 9)	867,966	262,314
Shareholder communications	96,575	20,926
Transfer agent, listing and filing fees	33,641	24,677
Travel and accommodation	160,234	73,096
Loss from operations	(1,976,398)	(801,350)
Other expenses/income		
Foreign exchange loss	(3,266)	-
Flow-through premium recovery	282,007	-
Loss and comprehensive loss for the year	$ (1,697,657)	$ (801,350)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	89,742,334	60,403,827

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

SCOTTIE RESOURCES CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended August 31,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,697,657)	$ (801,350)
Add items not affecting cash:		
Depreciation	1,398	-
Financing costs	(12,457)	69,126
Share-based payments	867,966	262,314
Flow-through obligation recovery	(282,007)	-
Non-cash working capital item changes:		
GST receivable	(64,196)	(336)
BCMETC receivable	(94,920)	-
Prepaid expenses and advances	(284,136)	28,950
Accounts payable and accrued liabilities	(54,073)	37,785
Due to related parties	(100,126)	128,490
Net cash used in operating activities	(1,720,208)	(275,021)
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation bonds	51,500	(37,754)
BCMETC recovered	-	49,094
Equipment	(19,960)	-
Deposits	(435,485)	-
Exploration advances	(890,879)	-
Exploration and evaluation expenditures	(3,233,242)	(980,953)
Net cash used in investing activities	(4,528,066)	(969,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	11,381,671	727,950
Share issuance costs	(342,565)	(8,852)
Loan funds received	-	260,000
Loans funds repaid	(230,000)	(30,000)
Net cash provided by financing activities	10,809,106	949,098
Change in cash for the year	4,560,832	(295,536)
Cash, beginning of year	182,040	477,576
Cash, end of year	$ 4,742,872	$ 182,040
Supplemental cashflow information		
Interest paid	15,555	-
Income taxes paid	-	-

Non-cash Transactions (Note 13)

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

SCOTTIE RESOURCES CORP.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Capital Stock				
	Number	Amount	Contributed Surplus	Deficit	Total
Balance, August 31, 2018	59,572,183	$ 4,662,451	$ 961,030	$ (3,994,454)	$ 1,629,027
Shares issued for cash	3,165,000	727,950	-	-	727,950
Share issuance costs – cash	-	(8,852)	-	-	(8,852)
Financing costs (Note 11)	-	-	56,669	-	56,669
Shares issued for exploration and evaluation assets	200,000	42,000	-	-	42,000
Share based payments (Note 9)	-	-	262,314	-	262,314
Net loss for the year	-	-	-	(801,350)	(801,350)
Balance, August 31, 2019	62,937,183	5,423,549	1,280,013	(4,795,804)	1,907,758
Shares issued for cash	43,358,058	8,839,206	-	-	8,839,206
Share issuance costs	600,000	(470,696)	128,131	-	(342,565)
Shares issued for exploration and evaluation assets	1,400,000	329,000	-	-	329,000
Flow-through premium (Note 10)	-	(527,728)	-	-	(527,728)
Warrants exercised	11,556,657	2,576,630	(34,165)	-	2,542,465
Share-based payments	-	-	867,966	-	867,966
Shares issued to settle liabilities	567,000	141,750	-	-	141,750
Net loss for the year	-	-	-	(1,697,657)	(1,697,657)
Balance, August 31, 2020	120,418,898	$ 16,311,711	$ 2,241,945	$ (6,493,461)	$ 12,060,195

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

1. NATURE OF OPERATIONS

Scottie Resources Corp. (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 905-1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3.

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 pandemic has not had a material impact on the Company's operations which affect the financial statement. Management continues to monitor the situation.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their value.

(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.

(c) Significant Accounting Judgement and Estimates

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.

(d) Going Concern

As at August 31, 2020, the Company has an accumulated deficit of $6,493,461, has not generated revenues from operations, has a working capital of $4,874,391 and it expects to incur further losses in the exploration and evaluation of its mineral properties. These 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 form a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION (Cont'd…)

(d) Going Concern (Cont'd…)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have, in management's opinion, been properly and consistently prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Mineral Exploration and Evaluation Expenditures

Pre-acquisition Costs

Pre-acquisition costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

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, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

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 the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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 "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

b) Property, plant and equipment

The following table outlines the methods used to depreciate property and equipment

Equipment	Straight line 3 years
Vehicles	Straight line 5 years

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, initial estimates of the costs of dismantling and removing an item and restoring the site on which it is located, and, where applicable, borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing or overhauling a component of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the Company and its cost can be measured reliably.

The carrying amount of the replaced component is written off. Costs associated with routine repairs and maintenance of property and equipment are expensed as incurred.

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate.

c) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

d) Financial Instruments

Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are initially recognized at fair value with changes in fair value recorded in profit or loss. The records its cash at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

d) Financial Instruments (Cont'd…)

Financial Assets (Cont'd…)

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and reclamation bonds are recorded at amortized cost.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income as a component of equity. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable, loans payable and due to related parties.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

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

Level 2 Valuation based on directly or indirectly observable inputs (other than Level 1 inputs) such as quoted interest or currency exchange rates; and

Level 3 Valuation based on significant inputs that are not based on observable market data such as discounted cash flow methodologies based on internal cash flow forecasts.

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

e) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. At August 31, 2019 and 2018, the Company did not have any rehabilitation provisions.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

f) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

g) Government Grants

B.C. Mining Exploration Tax Credits (BC METC) for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective exploration and evaluation assets. If there is significant uncertainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt, otherwise estimated BC METC amounts are accrued as tax credits recoverable.

h) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

h) Share Capital (Cont'd…)

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

i) Loss per Share

Basic loss per share is computed by dividing the net loss applicable to the common shares by the weighted average number of common shares outstanding for the period.

Diluted loss per share is computed by dividing the net loss applicable to the common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When losses are incurred, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

j) Share-Based Payments

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

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

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are 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.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

k) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

l) New and revised standards and interpretations

The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended August 31, 2020, except for the following:

Leases - On September 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at September 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

The adoption of IFRS 16 on September 1, 2019 did not have an impact on the Company's financial statements.

m) Accounting standards and amendments issued

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended August 31, 2020, and have not been applied in preparing these financial statements. Management does not expect the impact of any such new standards and amendments to have any significant impact on its financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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:

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Cont'd…)

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.

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.

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.

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

Scottie Gold Project

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.

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 [1]
- $200,000 on or before December 12, 2020.[1]

[1]During the year ended August 31, 2020, the Company renegotiated the terms of the payment schedule. The final two payments totalling $400,000 were renegotiated and replaced with a single payment of $300,000, which the Company paid and acquired 100% of the Bow property.

5. EXPLORATION AND EVALUATION ASSETS (Cont'd…)

Scottie Gold Project (Cont'd…)

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)
- $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)
- 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 has also previously staked additional adjacent mineral claims for $13,695.

Stock

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

Cambria Project

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.

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.

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.

5. EXPLORATION AND EVALUATION ASSETS (Cont'd…)

Cambria Project (Cont'd…)

Bitter Creek (Cont'd…)

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 $90,000 settled during the year)
- $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; [1]
- $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; [1]
- $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; [1]
- $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; [1]
- $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; [1]

[1]During the year ended August 31, 2020, the Company renegotiated the terms of the agreement. The Company negotiated and made a one-time payment of $325,000 and issued 1,000,000 common shares, valued at $235,000 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.

Exploration Advances

As at August 31, 2020 the Company had advance payment of $890,879 (2019 - $nil) for exploration services that were rendered by the vendor subsequent to year end..

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (Cont'd…)

	Scottie Gold Mine Project	Cambria Project	Total
Property acquisition costs			
Balance, August 31, 2018	$ 385,074	$ 111,680	$ 496,754
Cash	476,123	75,000	551,123
Shares	42,000	-	42,000
Balance, August 31, 2019	903,197	186,680	1,089,877
Cash	550,000	410,000	960,000
Shares	94,000	235,000	329,000
Balance, August 31, 2020	$ 1,547,197	$ 831,680	$ 2,378,877
Exploration and evaluation costs			
Balance, August 31, 2018	$ 927,985	$ 20,426	$ 948,411
Assays	5,235	11,374	16,609
Equipment rental	36,651	19,340	55,991
Field costs	137,730	32,046	169,776
Geological	190,527	61,770	252,297
Balance, August 31, 2019	1,298,128	144,956	1,443,084
Amortization	1,398	-	1,398
Assays	64,199	33,718	97,917
Drilling	507,715	-	507,715
Equipment rental	194,609	2,509	197,118
Field costs	699,908	4,198	704,106
Geological	751,013	8,140	759,153
Balance, August 31, 2020	$ 3,516,970	$ 193,521	$ 3,710,491
BCMETC			
Balance, August 31, 2018	$ (106,636)	$ (3,500)	$ (110,136)
Additions	(74,028)	(24,906)	(98,934)
Balance, August 31, 2019	(180,664)	(28,406)	(209,070)
Additions	(90,894)	(4,026)	(94,920)
Balance, August 31, 2020	$ (271,558)	$ (32,432)	$ (303,990)
Total, August 31, 2018	$ 1,206,423	$ 128,606	$ 1,335,029
Total, August 31, 2019	$ 2,020,661	$ 303,230	$ 2,323,891
Total, August 31, 2020	**$ 4,792,609**	**$ 992,769**	**$ 5,785,378**

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

		Equipment		Vehicle		Total
COST						
Balance, August 31, 2018 and 2019	$	-	$	-	$	-
Additions		14,960		5,000		19,960
Balance, August 31, 2020	**$**	**14,960**	**$**	**5,000**	**$**	**19,960**
ACCUMULATED DEPRECIATION						
Balance, August 31, 2018 and 2019	$	-	$	-	$	-
Depreciation		1,393		5		1,398
Balance, August 31, 2020	**$**	**1,393**	**$**	**5**	**$**	**1,398**
CARRYING AMOUNTS						
At August 31, 2018 and 2019	$	-	$	-	$	-
At August 31, 2020	**$**	**13,567**	**$**	**4,995**	**$**	**18,562**

During the year ended August 31, 2020, the Company entered into an agreement to purchase property and a building in Stewart, B.C. for total consideration of $435,485. The Company had $435,485 held in trust as at August 31, 2020, which was used subsequent to year end to acquire the property and building.

7. RELATED PARTY TRANSACTIONS

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer. During the year ended August 31, 2020, the total key management compensation was $120,000 (2019 - $153,000) for management fees, $78,000 (2019 - $21,000) for professional fees and $501,961 (2019 - $Nil) for share based payments.

During the year ended August 31, 2020 and 2019, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

		August 31, 2020		August 31, 2019
Management fees	$	120,000	$	153,000
Professional fees		78,000		21,000
Loan interest		2,441		9,247
Share-based payments		501,961		-
	$	702,402	$	183,247

As at August 31, 2020, loans payable includes $nil (August 31, 2019 - $189,247) due to a director of the Company for loan principal and accrued interest (Note 8). During the year, the Company accrued interest of $2,441 and repaid the total loan principal and interest of $191,688.

As at August 31, 2020, due to related parties of $51,854 (August 31, 2019 - $222,740) is 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 8, the amounts due to/from related parties are unsecured, non-interest bearing and due on demand.

(Expressed in Canadian Dollars)

8. 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 year ended August 31, 2020, the Company incurred interest expense of $3,099 (2019 - $12,457) and repaid the balance of the loans and accrued interest, totaling $245,555 (2019 - $30,000). The outstanding balance as at August 31, 2020 was $Nil (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

9. EQUITY

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the year ended August 31, 2020, the Company:

- 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.

- 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 had the right, which it exercised, to accelerate the expiry date of the warrants by giving written notice that the warrants will expire in 30 days. The flow-through share premium liability associated with these issuances was $47,746. During the year ended August 31, 2020, the Company incurred $937,580 in flow-through eligible expenditures and the flow-through share premium liability in connection with this issuance was reduced to $Nil as at August 31, 2020

(Expressed in Canadian Dollars)

9. **EQUITY** (Cont'd…)

Issued Share Capital (Cont'd…)

In connection with the private placements the 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 assumptions:

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 liabilities 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 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.

- On April 22, 2020, the Company issued 1,000,000 common shares with a fair value of $235,000 as part of the final payment on the Bitter Creek mineral property acquisition and 400,000 common shares with a fair value of $94,000 for an option payment on the Summit Lake property.

- On May 14, 2020, the Company issued 14,751,067 flow-through common shares at $0.24 per share, for total gross proceeds of $3,540,256. The flow-through share premium liability associated with this issuance was $368,777.

  During the year ended August 31, 2020, the Company incurred $1,809,599 in flow-through eligible expenditures in connection with this issuance, and the flow-through premium liability was reduced to $245,721 as at August 31, 2020

  In connection with the May 14, 2020 financing, the Company paid finders' fees of $185,629, granted 773,454 finders' warrants and paid other share issuance costs of $19,224. Each finder's warrant is exercisable at a price of $0.24 for a period of 24 months. The finders' warrants were determined to have a fair value of $80,316 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 assumptions:

(Expressed in Canadian Dollars)

9. EQUITY (Cont'd…)

Issued Share Capital (Cont'd…)

Exercise price	$0.24
Average risk-free interest rate	0.36%
Expected dividend yield	0.00%
Expected stock price volatility	97.2%
Expected life	2 years
Value per warrant	$0.104

- On June 8, 2020, the Company issued 4,400,000 non-flow through units at $0.22 per unit for total gross proceeds of $968,000. Each non-flow through unit consists of one common share and one half of 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 $0.34 for a period of 24 months.

  In connection with the financing the Company issued 132,000 finders warrants and paid other share issuance costs of $58,080. Each purchase warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of $0.34 for a period of 24 months. The finders' warrants were determined to have a fair value of $13,650 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 assumptions:

Exercise price	$0.34
Average risk-free interest rate	0.48%
Expected dividend yield	0.00%
Expected stock price volatility	113.5%
Expected life	2 years
Value per warrant	$0.103

- The Company issued 11,556,657 common shares for proceeds of $2,542,465 on the exercise of share purchase warrants.

During the year ended August 31, 2019, the Company:

- 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.

Share Purchase Warrants:

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

(Expressed in Canadian Dollars)

9. EQUITY (Cont'd…)

Share Purchase Warrants (Cont'd…)

	Warrants		
	Number		Weighted Average Exercise Price
Outstanding, August 31, 2018	8,798,166	$	0.26
Granted	980,000		0.21
Expired	(7,166,668)		0.26
Outstanding, August 31, 2019	2,611,498		0.23
Granted	25,382,111		0.27
Exercised	(11,556,657)		0.22
Expired / cancelled	(2,731,498)		0.22
Outstanding, August 31, 2020	13,705,454	$	0.30

At August 31, 2020, the Company had 13,705,454 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
10,600,000	$0.30	January 16, 2022
773,454	$0.24	May 14, 2022
2,332,000	$0.34	June 8, 2022
13,705,454		

At August 31, 2020, the outstanding share purchase warrants had a weighted average remaining contractual life of 1.46 years.

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 year ended August 31, 2020, the Company granted 6,325,000 (2019 – 3,050,000) stock options and recognized share-based payments expense of $892,494 (2019 - $262,314) for options granted and vested. The Company recognized a reversal of $24,528 (2019 - $nil) for cancelled unvested stock options, resulting in net share-based payments expense of $867,966 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.

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY (DEFICIENCY) (Cont'd…)

Share based payments (Cont'd…)

	August 31, 2020	August 31, 2019
Risk-free interest rate	0.76%	1.78%
Expected life of options	4.84 years	4.47 years
Expected annualized volatility	96.88%	208.71%
Forfeiture rate	0%	0%
Dividend rate	0%	0%

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

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, August	3,050,000	$ 0.17
Granted	3,000,000	0.18
Cancelled/Expired	(600,000)	0.20
Outstanding, August 31, 2019	5,450,000	0.17
Granted	6,325,000	0.22
Expired	(1,400,000)	0.22
Outstanding, August 31, 2020	10,375,000	$ 0.19

At August 31, 2020, the Company had 10,375,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
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	750,000	$0.22	April 25, 2024
2,400,000	2,400,000	$0.195	September 17, 2024
100,000	50,000	$0.225	February 3, 2024
3,625,000	1,787,500	$0.215	May 25, 2025
200,000	200,000	$0.42	August 21, 2021
10,375,000	8,237,500		

At August 31, 2020, the outstanding stock options had a weighted average remaining contractual life of 3.60 years.

10. COMMITMENTS

During the year ended August 31, 2020, the Company issued flow-through common shares of $4,168,516. Expenditures related to the use of flow-through share proceeds are included in exploration and evaluation assets but are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. As at August 31, 2020, the Company had $2,358,917 in unspent flow-through funds. In accordance with the flow-through share agreement, the Company may be required to indemnify the holders of such shares any tax and other costs payable to them in the event the Company does not fulfill its flow-through expenditure requirements.

11. FINANCIAL INSTRUMENTS

Cash is carried at FVTPL, Reclamation bonds, accounts payable, 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.

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.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes its components of shareholders' equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

13. 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 transactions have been excluded from the statements of cash flows:

For the year ended August 31, 2020:

- At August 31, 2020, accounts payable and accrued liabilities included $69,426 related to exploration and evaluation assets.
- During the year ended August 31, 2020 the Company issued 600,000 units valued at $120,000 and recorded $128,731 related to finders' warrants issued as share issuance costs.
- During the year ended August 31, 2020 the Company issued 567,000 common shares to settle debt of $141,750.
- During the year ended August 31, 2020, the Company issued 1,400,000 common shares with a fair value of $329,000 as part of part of the mineral property acquisition agreements.
- At August 31, 2020, the Company recorded a BC METC recoverable of $94,920 applied against exploration and evaluation assets.
- During the year ended August 31, 2020, total broker warrants of 325,392 were exercised with a fair value of $34,165 and recorded to share capital.

For the year ended August 31, 2019:

- At August 31, 2019, accounts payable and accrued liabilities included $99,421 related to exploration and evaluation assets.
- At August 31, 2019, due to related parties included $70,760 related to exploration and evaluation costs.
- The Company issued 200,000 common shares valued at $42,000 for exploration and evaluation assets (Note 8(h)).
- At August 31, 2019, the Company recorded a BC METC recoverable of $98,934 applied against exploration and evaluation assets.

(Expressed in Canadian Dollars)

14. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2020	2019
Income / (loss) before taxes for the year	$ (1,697,657)	$ (801,350)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	$ (458,000)	$ (216,000)
Permanent differences and other	(13,000)	85,000
Impact of flow through share	489,000	-
Change in unrecognized deferred tax assets	(17,000)	131,000
Income tax expense/(recovery)	$ -	$ -

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	2020	2019
Deferred tax assets:		
Resources related deductions	(254,000)	185,000
Unrecognized deferred tax assets	(786,000)	(803,000)
Share issue costs and other	107,000	8,000
Non-capital losses available for future periods	933,000	610,000
Net deferred tax assets	$ -	$ -

At August 31, 2020, the Company had accumulated non-capital losses of approximately $3,456,000 that are available to carry forward and offset future years' income. These non-capital losses begin to expire in 2030.

At August 31, 2020, the Company had accumulated resource related deduction pools of approximately $4,844,000 that are available to carry forward and offset future years' income at various rates. These pools carry forward indefinitely.