



**SCOTTIE RESOURCES CORP.**

**Consolidated Financial Statements**

**For the years ended August 31, 2021 and 2020  
(Expressed in Canadian dollars)**

---

## INDEPENDENT AUDITORS' REPORT

---

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

### Opinion

We have audited the consolidated financial statements of Scottie Resources Corp. (the "Company") which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, 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 consolidated 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 1 of the accompanying consolidated 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 consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
December 17, 2021

**SCOTTIE RESOURCES CORP.**  
**Consolidated statements of financial position**  
*(Expressed in Canadian dollars)*

As at	Notes	August 31, 2021	August 31, 2020 <i>(restated, Note 5)</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 7,265,107	\$ 4,742,872
Amounts receivable	6	234,221	275,023
Prepaid expenses and advances	7	1,787,346	1,630,141
		<b>9,286,674</b>	<b>6,648,036</b>
<b>Non-current assets</b>			
Deposits		103,500	55,500
Property and equipment	8	733,327	18,562
Mineral properties	9	12,431,811	2,378,249
		<b>13,268,638</b>	<b>2,452,311</b>
<b>Total assets</b>		<b>\$ 22,555,312</b>	<b>\$ 9,100,347</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 600,462	\$ 201,560
		<b>600,462</b>	<b>201,560</b>
<b>Non-current liabilities</b>			
Flow through liability	11	191,545	245,721
<b>Total liabilities</b>		<b>792,007</b>	<b>447,281</b>
<b>Shareholders' equity</b>			
Share capital	12	34,178,840	16,311,711
Equity reserves	12	3,876,367	2,241,945
Deficit		(16,291,902)	(9,900,590)
<b>Total shareholders' equity</b>		<b>21,763,305</b>	<b>8,653,066</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 22,555,312</b>	<b>\$ 9,100,347</b>
Nature of operations and going concern	1		

Approved for issue by the Board of Directors on December 17, 2021.

On behalf of the Board of Directors:

\_\_\_\_\_  
*"Bradley Rourke"*  
Bradley Rourke, Director

\_\_\_\_\_  
*"Ernest Mast"*  
Ernest Mast, Director

**SCOTTIE RESOURCES CORP.****Consolidated statements of loss and comprehensive loss***(Expressed in Canadian dollars)*

	Notes	Year ended August 31,	
		2021	2020
			<i>(restated, Note 5)</i>
<b>EXPENSES</b>			
Exploration	9	\$ 4,795,908	\$ 2,171,093
General and administrative		344,492	288,207
Management and consulting fees		216,835	331,959
Marketing and promotion		679,900	372,496
Professional fees	13	241,427	117,164
Share-based compensation	12,13	464,022	867,966
		<u>(6,742,584)</u>	<u>(4,118,885)</u>
<b>OTHER INCOME (EXPENSES)</b>			
Interest income		53	-
Recovery of flow-through premium	11	351,949	282,007
Foreign exchange loss		(730)	(3,266)
		<u>351,272</u>	<u>278,741</u>
<b>Loss and comprehensive loss for the year</b>		<b>\$ (6,391,312)</b>	<b>\$ (3,870,144)</b>
<hr/>			
Basic and diluted loss per share		\$ (0.05)	\$ (0.04)
Weighted average number of common shares outstanding	12	132,453,521	89,742,334

*The accompanying notes form an integral part of these consolidated financial statements.*

**SCOTTIE RESOURCES CORP.**  
**Consolidated statements of cash flows**  
*(Expressed in Canadian dollars)*

For the year ended	Notes	August 31, 2021	August 31, 2020 <i>(restated, Note 5)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net loss for the year</b>		\$ (6,391,312)	\$ (3,870,144)
<i>Adjustments for items not involving cash:</i>			
Amortization		29,822	1,398
Finance fees		-	(12,457)
Recovery of flow-through premium	11	(351,949)	(282,007)
Stock-based compensation	12	464,022	867,966
		<b>(6,249,417)</b>	<b>(3,295,244)</b>
<i>Net changes in non-cash working capital items:</i>			
Amounts receivable		40,802	(159,116)
Prepaid expenses and advances		(157,205)	(1,610,500)
Accounts payable and accrued liabilities		398,902	(154,199)
<b>Net cash outflows from operating activities</b>		<b>(5,966,918)</b>	<b>(5,219,059)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of AUX Resources	9	2,867,770	-
Property and equipment acquisitions and improvements	8,13	(744,587)	(19,960)
Mineral property acquisitions	9	(55,700)	(1,060,755)
Reclamation bonds	9	(48,000)	51,500
<b>Net cash outflows from investing activities</b>		<b>2,019,483</b>	<b>(1,029,215)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share capital issued	12	7,020,000	11,381,671
Share issue costs	12	(603,930)	(342,565)
Shares issued for debt repayment	12	-	(230,000)
Shares issued on exercise of stock options	12	50,000	-
Shares issued on exercise of warrants	12	3,600	-
<b>Net cash inflows from financing activities</b>		<b>6,469,670</b>	<b>10,809,106</b>
<b>Net increase in cash during the year</b>		<b>2,522,235</b>	<b>4,560,832</b>
Cash, beginning of year		4,742,872	182,040
<b>Cash, end of year</b>		<b>\$ 7,265,107</b>	<b>\$ 4,742,872</b>

Supplemental disclosure with respect to cash flows – Note 16

**SCOTTIE RESOURCES CORP.**  
**Consolidated statements of equity**  
*(Expressed in Canadian dollars)*

	Notes	Number of Shares	Share Capital	Equity Reserves	Deficit	Total
<b>Balance, August 31, 2019</b> <i>(restated, Note 5)</i>		<b>62,937,183</b>	<b>\$ 5,423,549</b>	<b>\$ 1,280,013</b>	<b>\$ (6,030,446)</b>	<b>\$ 673,116</b>
Common shares issued pursuant to private placements	12	43,358,058	8,839,206	-	-	8,839,206
Common shares issued pursuant to property option agreements	9,12	1,400,000	329,000	-	-	329,000
Common shares issued pursuant to debt settlement	12	567,000	141,750	-	-	141,750
Common shares issued pursuant to finders' fees	12	600,000	120,000	-	-	120,000
Share issuance costs	12	-	(590,696)	-	-	(590,696)
Shares issued pursuant to warrant exercises	12	11,556,657	2,576,630	(34,156)	-	2,542,465
Flow-through premium	11	-	(527,728)	-	-	(527,728)
Share-based payments	12	-	-	867,966	-	867,966
Loss for the year		-	-	-	(3,870,144)	(3,870,144)
<b>Balance, August 31, 2020</b> <i>(restated, Note 5)</i>		<b>120,418,898</b>	<b>\$ 16,311,711</b>	<b>2,241,945</b>	<b>\$ (9,900,590)</b>	<b>\$ 8,653,066</b>
Common shares issued pursuant to private placements	12	26,000,000	7,020,000	-	-	7,020,000
Common shares issued pursuant to property option agreements	9,12	500,000	112,500	-	-	112,500
Common shares, stock options, and warrants issued pursuant to the acquisition of AUX Resources Corporation	9,12	54,499,642	11,717,423	1,035,710	-	12,753,133
Share issuance costs	12	-	(780,177)	-	-	(780,177)
Warrants issued as finders' fees pursuant to private placements	12	-	-	176,247	-	176,247
Shares issued pursuant to warrant exercises	12	14,997	5,157	(1,557)	-	3,600
Shares issued pursuant to stock option exercises	12	1,000,000	90,000	(40,000)	-	50,000
Flow-through premium	11	-	(297,774)	-	-	(297,774)
Share-based payments	12	-	-	464,022	-	464,022
Loss for the year		-	-	-	(6,391,312)	(6,391,312)
<b>Balance, August 31, 2021</b>		<b>202,433,537</b>	<b>\$ 34,178,840</b>	<b>\$ 3,876,367</b>	<b>\$ (16,291,902)</b>	<b>\$ 21,763,305</b>

*The accompanying notes form an integral part of these consolidated financial statements.*

**SCOTTIE RESOURCES CORP.**

**Notes to the Consolidated Financial Statements**

**For the years ended August 31, 2021 and 2020**

*(Expressed in Canadian dollars)*

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

---

Scottie Resources Corp. (“Scottie” or the “Company”) is a publicly traded company incorporated on November 24, 2009 under the laws of the Province of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol SCOT.

The Company’s corporate registered and records office is located at #905 – 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3. The Company is engaged in the identification, acquisition, exploration, and development of mineral properties in British Columbia, Canada. The Company has not placed any of its mineral properties into production and is therefore considered to be in the exploration stage. These consolidated financial statements for the Company for the year ended August 31, 2021 are comprised of the results of the Company and its subsidiary.

The Company is in the process of exploring its mineral properties and has not yet determined whether any of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

These consolidated financial statements are 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 in the foreseeable future. The Company’s ability to continue on a going concern basis beyond the next twelve months depends on its ability to successfully raise additional financing for the substantial capital expenditures required to achieve planned principal operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. The Company has not generated any revenues since inception and has a history of losses and accumulated deficit of \$16,291,902 as at August 31, 2021. These factors form a material uncertainty that may raise significant doubt regarding the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, which could be material.

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the virus. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these consolidated financial statements, these conditions could have a significant adverse impact on the Company’s financial position and results of operations for future periods. To date, COVID-19 has had no significant impact on the Company’s business or operations.



## **2. BASIS OF PRESENTATION**

---

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as at August 31, 2021.

### **Basis of measurement**

These consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments that are measured at fair value, using the accrual basis of accounting, except for cash flow information.

### **Functional and presentation currency**

The presentation currency of the Company is the Canadian dollar.

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which has been determined for each entity within the Company using an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The functional currency of Scottie, the parent company, and its Canadian subsidiary, AUX Resources Limited, is the Canadian dollar.

### **Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### **a) Critical Accounting Estimates**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

##### Share-based compensation and valuation of warrants

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

**2. BASIS OF PRESENTATION** *(continued)*

---

b) Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Going concern presentation

Management has determined that the going concern presentation of the consolidated financial statements, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due as discussed in Note 1, is appropriate.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transactions lack commercial substance, or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly due to the transaction.

When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up and adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the market value of those shares on the date of the transaction will be considered fair value.

Acquisition of a business or assets

The determination of whether a corporate entity or set of assets acquired, and liabilities assumed, constitute a business may require the Company to make certain judgements, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. The acquisition of AUX Resources Corporation (and its mineral properties) was determined to constitute an acquisition of assets (Note 9). The excess of consideration paid over monetary assets was allocated on a proportional basis to the mineral properties acquired, which constitutes management's determination of the relative importance of the properties to the Company.

Carrying value and the recoverability of mineral properties

Management has determined that Company-incurred exploration costs that have been capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and other technical information, scoping and feasibility studies, accessibility of facilities, and existing permits.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

---

#### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Company, and its subsidiary, AUX Resources Limited, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee, and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

On July 16, 2021, the Company acquired AUX Resources Corporation (“AUX Corp.”) by way of a three-cornered amalgamation whereby AUX Corp and a newly-created subsidiary of Scottie amalgamated under the Business Corporations Act (British Columbia) to form AUX Resources Limited (“AUX”), a wholly-owned subsidiary of Scottie. AUX was incorporated in the province of British Columbia, Canada and its principal activity is mineral exploration.

#### **Determination of control by one entity over another**

Subsidiaries include entities which are controlled by the company and are accounted for through consolidation. Investments in associates and joint ventures include entities in which the Company has significant influence, but not control or joint control, and are accounted for using the equity method.

#### **Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for the Company as Canadian dollars.

Transactions in currencies other than the Canadian dollar are at the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

#### **Property and equipment**

Equipment is recorded at cost less accumulated amortization and accumulated impairment losses, if any. Land 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.

Where an item of property and equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures and building improvements, are capitalized.

Amortization is recognized in operations on a straight-line basis over the estimated useful lives of each asset or component part of an item of property and equipment, depending on which method (and rate) most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

---

**Property and equipment** *(continued)*

Equipment	3 years, straight line
Computer equipment	3 years, straight line
Vehicles	5 years, straight line
Building	20 years, straight line

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

**Mineral properties and exploration expenses**

Pre-acquisition costs are expensed in the period in which they are incurred. Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized. Exploration expenses incurred prior to determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. The Company will perform an impairment test on transition from the exploration stage to the development stage.

Expenditures incurred subsequent to a development decision, and to increase or extend the life of existing production, are capitalized and will be transferred to property, plant and equipment and amortized using the unit-of-production method based upon proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property will be assessed for impairment.

The Company assesses mineral properties for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

**Restoration, rehabilitation and environmental obligations**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration activities. An obligation to incur a provision for rehabilitation expenses for activities such as restoration, reclamation, and other environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. When such costs are material, 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. The timing of the actual rehabilitation expenditure is dependent upon many factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Where material, an estimated liability based principally on legal and regulatory requirements is recorded for obligations relating to the restoration, rehabilitation, and retirement of property and equipment obligations arising from the acquisition, development, or normal operation of those assets. Such decommissioning liabilities are recognized at fair value in the period in which the liability is incurred when a reasonable estimate of fair value can be made. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to a re-measurement at each reporting period.

### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

---

#### **Restoration, rehabilitation and environmental obligations** *(continued)*

The Company's estimate of its reclamation liabilities may change as a result of changes in regulations, the extent of environmental remediation required or completed, the means of reclamation, or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period in which the estimate is revised.

As at August 31, 2021 and 2020, the British Columbia Ministry of Energy, Mines, and Low Carbon Innovation holds reclamation bonds paid by the company and held against completion of the required remediation upon completion of the exploration on its properties. The Company does not consider these to be material amounts and accounts for them in non-current deposits at their fair value. The Company does not have any other material restoration, rehabilitation, and environmental obligations because all environmental disturbances to date have been minimal.

#### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company has not recorded any provisions for any of the financial years presented.

#### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, if any, are reviewed at each reporting date to determine whether there is any indication of impairment, or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in operations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in operations.

### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

---

#### **Financial instruments**

##### *Financial assets*

Financial assets are classified at initial recognition as: amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit and loss or other comprehensive income (“OCI”).

- Amortized cost – A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.
- FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.
- FVOCI – Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in OCI and dividends recognized in profit and loss. There is no subsequent reclassification of the fair value gains and losses to profit or loss following derecognition of the investment.
- Embedded derivatives – The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. Embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment occurs only if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

##### *Financial liabilities*

Financial liabilities are classified as current or non-current based on their maturity date and are measured at amortized cost, unless they are required to be measured at FVTPL, or the Company has opted to measure at FVTPL. Financial liabilities of the Company include accounts payable.

##### *Impairment*

An “expected credit loss” impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to the estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account, and the resulting loss is recognized in profit or loss for the period.

### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

---

#### *Impairment (continued)*

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### **Government grants**

British Columbia Mining Tax Credits (“BCMETC”) for certain exploration expenditures incurred in British Columbia are treated as a reduction of the exploration and development costs of the respective mineral properties. 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 BCMETC amounts are recorded as tax credits receivable.

#### **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 asset or financial liability. The Company’s common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Costs attributable to the listing of existing shares are expensed as incurred.

#### **Warrants**

Warrants issued by the Company typically accompany an issuance of shares in the Company (a “unit”) and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares of the Company. The fair values of the components of units sold (shares and warrants) are measured using the residual value approach where the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds are less than or equal to the estimated fair market value of the shares issued, a nil carrying amount is assigned to the warrants.

When warrants are issued as finders’ fees or broker’s compensation in connection with a private placement or equity raise, the company accounts for warrants using the relative fair value method. Under this method, the value of warrants issued is measured at fair value at the issue date using the Black-Scholes Option-Pricing Model and recorded as share capital if and when the warrants are exercised.

#### **Flow-through shares**

The Company will, from time to time, issue flow-through shares and units to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements and Canadian tax legislation, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability, and the premium is recognized as a recovery of flow-through premium.

**SCOTTIE RESOURCES CORP.**

**Notes to the Consolidated Financial Statements**

**For the years ended August 31, 2021 and 2020**

*(Expressed in Canadian dollars)*

---

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

---

**Flow-through shares** *(continued)*

Proceeds received through the issuance of flow-through shares are restricted to be used only for Canadian resource property expenditures within a period of up to two years. Exploration expenditures related to the use of flow through share proceeds are not available as a tax deduction to the Company because the tax benefits of these expenditures are renounced to investors.

**Share issuance costs**

Costs directly identifiable with the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs are presented as other assets until the issuance of the shares to which the costs relate, at which time the costs are charged against the related share capital or charged to profit or loss if the shares are not issued.

**Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees, and consultants of the Company under the terms of its Stock Option Plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option-Pricing Model, taking into consideration the terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from equity reserves (formerly contributed surplus) to share capital. In the event that options are cancelled or forfeited prior to full vesting, the fair value of the portion of the cancelled or forfeited options that have not yet vested is excluded from share-based compensation expense.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions and are recorded at the fair value of the goods or services received. Where the value of goods or services received in exchange for the share-based payment are not reliably estimable, the fair value is measured through the use of a valuation model where the expected life used in the model is adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Where a grant of stock 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** *(continued)*

---

#### **Basic and diluted loss per share**

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company’s case, diluted loss per share is the same as basic loss per share as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

#### **Income taxes**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities who intend to settle current tax assets and liabilities on a net basis or where net tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Related party transactions**

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

#### **New standards, interpretations and amendments adopted during the year**

A number of new standards, amendments to standards and interpretations are not yet effective as of August 31, 2021 and have therefore not been applied in preparing these consolidated financial statements. None are expected to have a material effect on the financial statements of the Company.

#### **4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

##### **Categories of Financial Assets and Financial Liabilities**

Financial instruments are classified into one of the following categories: amortized cost; fair value through profit or loss (“FVTPL”); fair value through other comprehensive income (“FVOCI”).

The carrying values of the Company’s financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>	<b>August 31, 2021</b>		<b>August 31, 2020</b>	
Cash and cash equivalents	FVTPL	\$	7,265,107	\$	4,742,872
Amounts receivable	Amortized cost	\$	234,221	\$	275,023
Deposits	Amortized cost	\$	103,500	\$	490,985
Accounts payable	Amortized cost	\$	600,462	\$	201,560

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable, deposits, and accounts payable approximate their fair value due to their short-term nature. Cash and cash equivalents are recorded at fair value and calculated under the fair value hierarchy and measured using Level 1 inputs.

##### **Risk Management**

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized as follows:

##### Credit Risk

Credit risk is the risk of potential loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company’s credit risk is primarily attributable to its liquid financial assets, including cash and amounts receivable. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions.

##### 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 is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company’s obligations are not considered significant.

**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its short-term debt obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due; all of the Company's accounts payable are current and due within 90 days of the balance sheet. As at August 31, 2021, the Company has cash and cash equivalents of \$7,265,107 to settle current liabilities of \$600,462.

**5. CHANGE IN ACCOUNTING POLICY**

Effective September 1, 2020, the Company changed its accounting policy related to exploration costs. Previously, the Company capitalized its exploration costs on an individual prospect basis until such time as an economic ore body was defined or the prospect was abandoned. The Company will continue to capitalize all direct costs related to the acquisition of a mineral property interest upon acquiring the legal right to explore the property; however, exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development will be charged to operations as incurred.

The change in policy has been made to more appropriately disclose the operations of the Company and the value of its mineral properties.

The impact of the change in policy has been applied retrospectively in these consolidated financial statements and the summary of the impact of these changes is disclosed below:

Summary of Impact on the Prior year Statement of Financial Position

<b>As at August 31, 2020</b>	<b>As reported</b>	<b>Adjustments<sup>1</sup></b>	<b>As restated</b>
Mineral properties	\$ 5,785,378	\$ (3,407,129)	\$ <b>2,378,249</b>
Total assets	\$ 12,507,476	\$ (3,407,129)	\$ <b>9,100,347</b>
Deficit	\$ (6,493,461)	\$ (3,407,129)	\$ <b>(9,900,590)</b>
Total equity	\$ 12,060,195	\$ (3,407,129)	\$ <b>8,653,066</b>
Total liabilities and shareholders' equity	\$ 12,507,476	\$ (3,407,129)	\$ <b>9,100,347</b>
<b>As at August 31, 2019</b>	<b>As reported</b>	<b>Adjustments<sup>2</sup></b>	<b>As restated</b>
Mineral properties	\$ 2,323,891	\$ (1,234,642)	\$ <b>1,089,249</b>
Total assets	\$ 2,748,479	\$ (1,234,642)	\$ <b>1,513,837</b>
Deficit	\$ (4,795,804)	\$ (1,234,642)	\$ <b>(6,030,446)</b>
Total equity	\$ 1,907,758	\$ (1,234,642)	\$ <b>673,116</b>
Total liabilities and shareholders' equity	\$ 2,748,479	\$ (1,234,642)	\$ <b>1,513,837</b>

**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**5. CHANGE IN ACCOUNTING POLICY** *(continued)*

Summary of Impact on the Prior Year Statement of Loss and Comprehensive Loss

As at August 31, 2020	As reported	Adjustments <sup>3</sup>	As restated
<b>Expenses</b>			
Exploration expenditures	\$ -	\$ 2,171,093	\$ 2,171,093
<b>Loss and comprehensive loss for the year</b>	<b>\$ (1,699,051)</b>	<b>\$ (2,171,093)</b>	<b>\$ (3,870,144)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>89,742,334</b>	<b>-</b>	<b>89,742,334</b>

Summary of Impact on the Prior Year Statement of Changes in Equity

	Deficit			Total Equity		
	As reported	Deficit Adjustment	As restated	As reported	Adjustment	As restated
<b>Balance as at Sep 1, 2019<sup>2</sup></b>	\$ (4,794,410)	\$ (1,236,036)	\$ (6,030,446)	\$ 1,909,152	\$ (1,236,036)	\$ 673,116
Loss and comprehensive loss for the year <sup>3</sup>	(1,699,051)	(2,171,093)	(3,870,144)	(1,699,051)	(2,171,093)	(3,870,144)
<b>Balance as at Aug 31, 2020</b>	<b>\$ (6,493,461)</b>	<b>\$ (3,407,129)</b>	<b>\$ (9,900,590)</b>	<b>\$ 12,060,195</b>	<b>\$ (3,407,129)</b>	<b>\$ 8,653,066</b>

The change in accounting policy did not have any impact on the Company's prior year statement of cash flows.

Summary of Adjustments

<sup>1</sup> Reduction of \$3,407,129 in accumulated exploration costs, which was previously capitalized in mineral properties, has been expensed and is reflected in deficit as an expense in the August 31, 2020 year end.

<sup>2</sup> Reduction of \$1,234,642 in accumulated exploration costs, which was previously capitalized in mineral properties, has been reflected in the opening deficit for the August 31, 2020 year end.

<sup>3</sup> Exploration costs of \$2,171,093 were incurred during the year ended August 31, 2020 which are reflected as expenses as a result of the change in policy.

Summary of Impact on Prior Year Income Tax Disclosures

A reconciliation of the Company's income taxes at statutory rates with the reported taxes:

Year ended August 31, 2020	As reported	Adjustments	As restated
Income/(loss) before taxes for the year	\$ (1,697,657)	\$ (2,172,487)	\$ (3,870,144)
Expected income tax (recovery)	(458,000)	(587,000)	(1,045,000)
Permanent differences and other	(13,000)	587,000	574,000
Impact of flow through shares	489,000	-	489,000
Change in unrecognized deferred tax assets	(17,000)	-	(18,000)
<b>Total income tax (recovery)/expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

SCOTTIE RESOURCES CORP.  
Notes to the Consolidated Financial Statements  
For the years ended August 31, 2021 and 2020  
(Expressed in Canadian dollars)

**6. AMOUNTS RECEIVABLE**

		August 31, 2021		August 31, 2020
GST receivable	\$	139,301	\$	81,169
BCMTEC receivable		94,950		193,854
<b>Total</b>	<b>\$</b>	<b>234,221</b>	<b>\$</b>	<b>275,023</b>

**7. PREPAID EXPENSES AND ADVANCES**

		August 31, 2021		August 31, 2020
Deposit on property and equipment	\$	-	\$	435,485
Exploration advances		1,719,964		890,879
Prepaid expenses		67,382		303,777
<b>Total receivables</b>	<b>\$</b>	<b>1,787,346</b>	<b>\$</b>	<b>1,630,141</b>

**8. PROPERTY AND EQUIPMENT**

	Equipment	Computer	Vehicle	Land	Building	Total
<b>COST</b>						
Balance, August 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	-
Additions	14,960	-	5,000	-	-	19,960
Balance, August 31, 2020	14,960	-	5,000	-	-	19,960
Additions	52,624	2,141	147,000	137,594	405,228	744,587
<b>Balance, August 31, 2021</b>	<b>\$ 67,584</b>	<b>\$ 2,141</b>	<b>\$ 152,000</b>	<b>\$ 137,594</b>	<b>\$ 405,228</b>	<b>\$ 764,547</b>
<b>ACCUMULATED AMORTIZATION</b>						
Balance, August 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	-
Amortization	1,393	-	5	-	-	1,398
Balance, August 31, 2020	1,393	-	5	-	-	1,398
Amortization	7,513	602	3,638	-	18,069	29,822
<b>Balance, August 31, 2021</b>	<b>\$ 8,906</b>	<b>\$ 602</b>	<b>\$ 3,643</b>	<b>\$ -</b>	<b>\$ 18,069</b>	<b>\$ 31,220</b>
<b>CARRYING AMOUNTS</b>						
As at August 31, 2020	\$ 13,567	\$ -	\$ 4,995	\$ -	\$ -	18,562
<b>As at August 31, 2021</b>	<b>\$ 58,678</b>	<b>\$ 1,539</b>	<b>\$ 148,357</b>	<b>\$ 137,594</b>	<b>\$ 387,159</b>	<b>\$ 733,327</b>

**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**9. MINERAL PROPERTIES**

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. All of the Company's mineral interests are located near Stewart, British Columbia, Canada in the region known as the Golden Triangle. The properties have been acquired under various option and purchase agreements and by staking. Certain claims are subject to a net smelter returns ("NSR") royalty ranging from 1% to 3%.

The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing.

**Acquisition of AUX Resources Corporation**

On July 16, 2021, the Company completed the acquisition of AUX Resources Corporation by way of a three-corner amalgamation under the provisions of the Business Corporations Act (British Columbia). As a result of the transaction, AUX Resources Corporation merged with a wholly-owned subsidiary of Scottie to become AUX Resources Limited ("AUX"), a wholly-owned subsidiary of the Company. The Company's shareholders retained majority ownership in the course of the transaction and therefore the Company was determined to be the acquirer of AUX. The transaction included the acquisition of all the mineral properties and mineral property options held by AUX, expanding and consolidating the Company's holdings in the Golden Triangle of British Columbia.

Consideration with a fair value of \$12,753,132 was issued in exchange for all of the issued and outstanding equity of AUX and is comprised of:

- 54,499,642 common shares of the Company at \$0.215 per share (\$11,717,422);
- 18,433,817 warrants of the Company with fair values between \$0.0209 and \$0.0451 per warrant (\$656,675) (Note 12d contains a summary of the assumptions used to calculate fair values); and
- 2,432,000 stock options of the Company with fair values between \$0.0896 and \$0.1938 per stock option (\$379,035) (Note 12c contains a summary of the assumptions used to calculate fair values)

Transaction costs of \$79,103 associated with the acquisition were recorded. The acquisition was accounted for as an asset acquisition because AUX did not meet the definition of a business. The net purchase price was allocated to the assets acquired and liabilities assumed as follows:

Cash	\$	2,757,834
Amounts receivable		18,614
Prepaid expenses		225,138
Deposits		48,000
Mineral properties		9,922,969
Accounts payable and accrued liabilities		(102,546)
Flow through liability		(37,774)
	<b>\$</b>	<b>12,832,235</b>
Consideration issued at fair value	\$	12,753,132
Transaction costs		79,103
Total acquisition costs	<b>\$</b>	<b>12,832,235</b>

**9. MINERAL PROPERTIES (continued)**

**SCOTTIE RESOURCES CORP.****Notes to the Consolidated Financial Statements****For the years ended August 31, 2021 and 2020***(Expressed in Canadian dollars)***Acquisition of AUX Resources Corporation (continued)**

The consideration paid over the monetary assets acquired and liabilities assumed was attributed to the value of the mineral properties acquired from AUX, allocated on a proportional basis to individual mineral properties based on management's determination of the relative importance of the properties to the Company.

**Mineral Property Acquisition Costs by Project**

Project	As at August 31, 2019	Cash	Shares	As at August 31, 2020	Cash	Shares	As at August 31, 2021
Bear Pass	\$ -	\$ -	\$ -	\$ -	\$ -	285,619	\$ 285,619
Cambria <sup>1</sup>	185,000	410,000	235,000	830,000	4,647	4,910,140	5,744,787
Georgia River	-	-	-	-	-	199,155	199,155
Scottie Gold Mine	904,249	550,000	94,000	1,548,249	51,053	112,500	1,711,802
Silver Crown	-	-	-	-	-	4,472,439	4,472,439
Tide North	-	-	-	-	-	18,009	18,009
<b>TOTAL</b>	<b>\$ 1,089,877</b>	<b>\$ 960,000</b>	<b>\$ 329,000</b>	<b>\$ 2,378,249</b>	<b>\$ 55,700</b>	<b>\$ 9,997,862</b>	<b>\$ 12,431,811</b>

<sup>1</sup>Includes Bitter Creek, Black Hills, Champion South (formerly Silver Crown), Confluence, Dorothy 2, Independence, Lower Bear properties (Bay Silver and Lower Bear), and Ruby Silver.

**9. MINERAL PROPERTIES** *(continued)*

---

Summit Lake

On April 26, 2019, the Company entered into an option agreement to acquire a 100% interest in the Summit Lake property. To complete the option, the Company must:

- a) Make cash payments to the vendor as follows:
  - i) \$50,000 on TSX-V approval of the option agreement *(paid)*;
  - ii) \$50,000 on or before April 26, 2020 *(paid)*;
  - iii) \$50,000 on or before April 26, 2021 *(paid)*;
  - iv) \$50,000 on or before April 26, 2022; and
  - v) \$50,000 on or before April 26, 2023.
- b) Issue shares of the Company to the vendor as follows:
  - i) 200,000 shares TSX-V approval of the option agreement *(issued)*;
  - ii) 400,000 shares on or before April 26, 2020 *(issued)*;
  - iii) 500,000 shares on or before April 26, 2021 *(issued)*;
  - iv) 500,000 shares on or before April 26, 2022; and
  - v) 600,000 shares on or before April 26, 2023.

The vendors will retain a 1.8% NSR, of which 0.8% can be purchased for \$1,000,000 at any time.

**Cambria Project**

Bitter Creek

On March 1, 2019, the Company entered into an option agreement to acquire a 100% interest in the Bitter Creek property, contiguous with the Company's Black Hills and Ruby Silver properties. In 2020, the Company completed its purchase obligations on the property to earn the 100% interest after renegotiation of the initial option agreement and payment of \$325,000 in cash and issuance of 1,000,000 shares valued at \$235,000.

Bitter Creek is subject to a 2.5% NSR, 60% of which can be purchased for \$1,500,000.

Black Hills

In 2013, the Company purchased certain tenures of the Black Hills mineral claims for \$10,000. In 2018, the Company staked additional claims at Black Hills for a cost of \$1,680. The Company currently owns 100% of the property.

Champion South

The Champion South property was obtained through the acquisition of AUX and has been optioned out to Mountain Boy Minerals Ltd. ("MBM") who completed their earn-in on the property during 2021. The original vendors retain a 2% NSR, one half of which can be purchased for \$1,000,000 with a minimum advance annual royalty of \$50,000 to begin after seven years.

Confluence

On October 22, 2020, the Company entered into an agreement to purchase 100% of the Confluence mineral claim tenure for \$1,000 cash.



**9. MINERAL PROPERTIES** *(continued)*

---

Dorothy 2

The Dorothy 2 property was obtained through the acquisition of AUX. The original vendors retain a 2.5% NSR, one half of which can be purchased for \$1,000,000 until 90 days after the start of commercial production. The Company is required to keep the property in good standing and carry out \$150,000 of work over 4 years.

Lower Bear Properties

The Lower Bear properties, including the Bay Silver property, were obtained through the acquisition of AUX. The original vendors retain a 2% NSR, one half of which can be purchased for \$1,000,000 with a minimum advance annual royalty of \$50,000 to begin after seven years.

Ruby Silver

In 2018, the Company purchased a 100% interest in the Ruby Silver property for \$100,000.

**Independence Project and Silver Crown**

The Company obtained an option to acquire a 100% interest in the Independence and Silver Crown projects through the acquisition of AUX. To complete the option, the Company must:

- a) Make cash payments to the vendor as follows:
  - i) \$200,000 on closing of the AUX financing on July 6, 2020 *(paid)*;
  - ii) \$50,000 on or before July 6, 2021 *(paid)*;
  - iii) \$50,000 on or before July 6, 2022;
  - iv) \$75,000 on or before July 6, 2023;
  - v) \$125,000 on or before July 6, 2024; and
- b) \$150,000 on or before July 6, 2025. Issue shares of the Company to the vendor as follows:
  - i) 3,000,000 shares within 5 days of execution of the agreement *(issued)*;
  - ii) 250,000 shares on or before July 6, 2021 *(issued)*;
  - iii) 250,000 shares on or before July 6, 2022;
  - iv) 500,000 shares on or before July 6, 2023;
  - v) 1,000,000 shares on or before July 6, 2024; and
  - vi) 3,000,000 shares on or before July 6, 2025.

The vendors will retain a 1.8% NSR, 0.8% of which can be purchased for \$1,500,000 until 90 days after the start of commercial production.

**Georgia River Project**

Exdale

The Exdale property was obtained through the acquisition of AUX. The original vendor retains a 2% NSR.

Georgia River

The Georgia River properties were obtained through the acquisition of AUX.

**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**9. MINERAL PROPERTIES** *(continued)*

**Bear Pass Project**

Bayview/Comet

The Bayview/Comet properties were obtained through the acquisition of AUX. The original vendor retains a 1% NSR.

Rufus

The Company obtained a 75% interest in the Rufus property through the acquisition of AUX. The original vendors retain a 2% NSR, one half of which can be purchased for \$1,000,000 until 90 days after the start of commercial production.

West George Copper

The Company obtained a 40% interest in the West George Copper property in the acquisition of AUX, which will be retained until Mountain Boy Minerals ("MBM") completes Feasibility on the property, at which time the 40% interest will revert to MBM.

The Company holds a 2% NSR, of which 1% can be purchased by MBM for \$1,000,000.

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

<b>As at</b>	<b>August 31, 2021</b>	<b>August 31, 2020</b>
Accounts payable	\$ 179,009	\$ 149,706
Accrued liabilities	58,378	23,920
Payroll liability	42,426	-
Amounts payable to related parties <i>(Note 13)</i>	320,649	51,854
<b>TOTAL</b>	<b>\$ 600,462</b>	<b>\$ 201,560</b>

**11. FLOW THROUGH SHARE LIABILITY AND RECOVERY OF FLOW THROUGH PREMIUM**

During the year ended August 31, 2021, the Company:

- Issued flow through shares through several private placements (Note 12), recording \$260,000 in flow through premium (August 31, 2020 – \$416,522); recorded an additional \$152,784 in unspent flow through funds, and \$37,774 in flow through premium upon completion of the AUX acquisition (Note 9).
- Incurred eligible flow through expenditures of \$4,438,735 (2020 – \$2,747,179).
- Reported a recovery of flow through premium of \$351,949 (2020 – \$282,007), and as at August 31, 2021 had a remaining flow through liability of \$191,545 (August 31, 2020 – \$245,721).

As at August 31, 2021, the Company had \$5,063,238 in unspent flow through funds (August 31, 2020 – \$2,358,917).

In accordance with the flow through share agreements, the Company may be required to indemnify the holders of any such shares any tax and other costs payable to them in the event the Company does not fulfill its flow through expenditure requirements.

## **12. SHARE CAPITAL**

---

### **a) Authorized**

An unlimited number of common shares without par value.

### **b) Share Issuance**

At August 31, 2021, the Company had 202,433,537 common shares issued and outstanding (August 31, 2020 – 120,418,898).

During the year ended August 31, 2021, the Company:

- Issued 14,997 common shares following the exercise of share purchase warrants at a price of \$0.24 per common share for gross proceeds of \$3,599.
- Issued 500,000 common shares in respect of property option agreements on the Summit Lake property at a price of \$0.23 per common share for which \$112,500 has been recorded as property acquisition costs (Note 9).
- Issued 1,000,000 common shares following the exercise of stock options at a price of \$0.05 per common share for gross proceeds of \$50,000.
- Closed private placements consisting of 26,000,000 flow through common shares at a price of \$0.27 per share for gross proceeds of \$7,020,000.

Cash share issuance costs of \$603,929 were paid in relation to the brokered private placement, in addition to an issuance of 1,560,000 finders' warrants exercisable into a common share at a price of \$0.25 per share for a period of 24 months, valued at \$176,248 using the following Black-Scholes Option-Pricing Model assumptions: expected life of 2 years, an expected dividend of \$nil, a risk-free interest rate of 0.32%, and an expected volatility of 78.53%.

The Company recorded a \$260,000 flow through premium associated with the placement.

- Acquired AUX through the issuance 54,499,642 common shares of the Company at \$0.215 per share, 18,433,817 warrants of the Company, and 2,432,000 stock options of the Company in exchange for all of the issued and outstanding equity of AUX for a total fair value of \$12,753,133 (Note 9).

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

- Closed a private placement on September 25, 2019 consisting of 819,000 flow through common shares at a price of \$0.22 per share and 8,087,933 non flow through units at a price of \$0.15 per unit for gross proceeds of \$1,393,370. Each non flow through unit consists of one common share and one share purchase warrant, each warrant exercisable into a common share at a price of \$0.22 per share 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.

The Company recorded a \$16,380 flow through premium associated with the placement.

**12. SHARE CAPITAL** *(continued)*

---

- Closed a private placement on October 18, 2019 consisting of 2,036,726 flow through common shares at a price of \$0.21 per share and 3,263,332 non flow through units at a price of \$0.15 per unit for gross proceeds of \$937,580. Each non flow through unit consists of one common share and one share purchase warrant, each warrant exercisable into a common share at a price of \$0.22 per share 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.

The Company recorded a \$142,571 flow through premium associated with the placement.

Cash share issuance costs of \$65,987 were paid in relation to the private placements on September 25, 2019 and October 18, 2019, in addition to an issuance of 325,392 finders' warrants, each warrant exercisable into a common share at a price of \$0.22 for a period of 24 months, valued at \$34,165 using the following Black-Scholes Option-Pricing Model assumptions: expected life of 2 years, an expected dividend of \$nil, a risk-free interest rate of 1.46%, and an expected volatility of 119.4%. The value of the finders' warrants was recorded as share issuance costs.

- Issued 567,000 common shares at a fair value of \$0.25 per share on January 15, 2020 in respect of settlement of liabilities valued at \$141,750.
- Closed a private placement on January 16, 2020 consisting of 10,000,000 units at a fair value of \$0.20 per unit. Each unit consists of one common share and one share purchase warrant, each warrant exercisable into a common share at a price of \$0.30 for a period of 24 months.

Cash share issuance costs of \$12,657 were paid in relation to the private placement, in addition to an issuance of 600,000 finders' units valued at \$120,000 using the residual value method to calculate the value of the warrants, each unit consisting of one common share and one share purchase warrant, each warrant exercisable into a common share at a price of \$0.30 for a period of 24 months.

- Issued 1,400,000 common shares in respect of property option agreements, as the final payment on the Bitter Creek property and as payment on the Summit Lake property, at a price of \$0.24 per common share for which consideration of \$329,000 has been recorded as property acquisition costs (Note 9).
- Closed a private placement on May 14, 2020 consisting of 14,751,067 flow through common shares at a fair value of \$0.24 per share for gross proceeds of \$3,540,256.

Cash share issuance costs of \$204,853 were paid in relation to the private placement, in addition to an issuance of 773,454 finders' warrants exercisable into a common share at a price of \$0.24 for a period of 24 months, valued at \$80,316 using the following Black-Scholes Option-Pricing Model assumptions: expected life of 2 years, an expected dividend of \$nil, a risk-free interest rate of 0.36%, and an expected volatility of 97.2%.

- The Company recorded a \$368,777 flow through premium associated with the placement.

**SCOTTIE RESOURCES CORP.**

**Notes to the Consolidated Financial Statements**

**For the years ended August 31, 2021 and 2020**

*(Expressed in Canadian dollars)*

**12. SHARE CAPITAL (continued)**

- Closed a private placement on June 8, 2020 consisting of 4,400,000 units at a fair value of \$0.22 per unit. Each unit consists of one common share and one share purchase warrant, each warrant exercisable into a common share at a price of \$0.34 for a period of 24 months.

Cash share issuance costs of \$58,080 were paid in relation to the private placement, in addition to an issuance of 132,000 finders' warrants, each warrant exercisable into a common share at a price of \$0.34 for a period of 24 months, valued at \$13,650 using the following Black-Scholes Option-Pricing Model assumptions: expected life of 2 years, an expected dividend of \$nil, a risk-free interest rate of 0.48%, and an expected volatility of 113.5%. The value of the finders' warrants was recorded as share issuance costs.

- Issued 11,556,657 common shares following the exercise of share purchase warrants at a price of \$0.22 per common share for gross proceeds of \$2,542,465.

**c) Stock Options Outstanding**

The Company has a shareholder-approved stock option plan that provides for the reservation for issuance of 20% of the Company's issued and outstanding common shares to its directors, officers, employees, and consultants. The vesting terms of each stock option grant is determined by the Board of Directors at the time of the grant.

The stock option continuity for the year ended August 31, 2021 is as follows:

Number Outstanding August 31, 2020		Granted	Expired/ Exercised	Cancelled	Number Outstanding August 31, 2021	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
1,000,000	-	(1,000,000)	-	-	-	\$ 0.05	May 16, 2021	-
300,000	-	-	-	-	300,000	\$ 0.20	May 24, 2022	0.73
150,000	-	-	-	-	150,000	\$ 0.26	Oct 26, 2022	1.15
600,000	-	-	-	-	600,000	\$ 0.26	Mar 8, 2023	1.52
1,000,000	-	-	-	-	1,000,000	\$ 0.10	Dec 3, 2023	2.26
1,000,000	-	-	-	-	1,000,000	\$ 0.22	Apr 24, 2024	2.65
2,400,000	-	-	-	-	2,400,000	\$ 0.20	Sep 17, 2024	3.05
100,000	-	-	-	-	100,000	\$ 0.23	Feb 3, 2024	2.43
3,625,000	-	-	-	-	3,625,000	\$ 0.22	May 25, 2025	3.73
200,000	-	-	(200,000)	-	-	\$ 0.42	Aug 21, 2021	-
-	300,000	-	-	-	300,000	\$ 0.26	Jan 13, 2026	4.37
-	2,100,000	-	-	-	2,100,000	\$ 0.25	Apr 19, 2026	4.64
-	100,000	-	-	-	100,000	\$ 0.25	May 21, 2026	4.72
-	80,000	-	-	-	80,000	\$ 0.25	Sep 24, 2024	3.07
-	80,000	-	-	-	80,000	\$ 0.25	Feb 8, 2027	5.44
-	72,000	-	-	-	72,000	\$ 0.30	Jul 7, 2024	2.85
-	2,200,000	-	-	-	2,200,000	\$ 0.42	Jul 8, 2025	3.85
<b>10,375,000</b>	<b>4,932,000</b>	<b>(1,000,000)</b>	<b>(200,000)</b>	<b>14,107,000</b>	<b>\$ 0.24</b>	<b>(weighted average)</b>	<b>3.42</b>	
				<b>Exercisable</b>	<b>12,357,000</b>	<b>\$ 0.24</b>	<b>(weighted average)</b>	<b>3.90</b>

**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**12. SHARE CAPITAL** *(continued)*

The stock option continuity for the year ended August 31, 2020 is as follows:

Number Outstanding August 31, 2019	Granted	Exercised	Expired/Cancelled	Number Outstanding August 31, 2020	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
1,000,000	-	-	-	1,000,000	\$ 0.05	May 16, 2021	0.71
300,000	-	-	-	300,000	\$ 0.20	May 24, 2022	1.73
150,000	-	-	-	150,000	\$ 0.26	Oct 26, 2022	2.15
600,000	-	-	-	600,000	\$ 0.26	Mar 8, 2023	2.52
1,000,000	-	-	-	1,000,000	\$ 0.10	Dec 3, 2023	3.26
1,000,000	-	-	-	1,000,000	\$ 0.22	Apr 25, 2024	3.65
-	2,400,000	-	-	2,400,000	\$ 0.20	Sep 17, 2024	4.05
-	100,000	-	-	100,000	\$ 0.23	Feb 3, 2024	3.43
-	3,625,000	-	-	3,625,000	\$ 0.22	May 25, 2025	4.73
-	200,000	-	-	200,000	\$ 0.42	Aug 21, 2021	0.97
<b>4,050,000</b>	<b>6,325,000</b>	-	-	<b>10,375,000</b>	<b>\$ 0.19</b>	<i>(weighted average)</i>	<b>3.60</b>
			<b>Exercisable</b>	<b>8,237,500</b>	<b>\$ 0.24</b>	<i>(weighted average)</i>	<b>4.54</b>

**Stock-Based Compensation**

The fair value of each option granted to employees, officers, and directors was estimated on the date of the grant using the Black-Scholes Option-Pricing Model.

During the year ended August 31, 2021, 4,932,000 stock options were granted (August 31, 2020 – 6,325,000). Options granted during the period vest 25% on the grant date and 25% each three or six months thereafter, depending on the vesting terms determined at the time of grant. Of the options granted during the year ended August 31, 2021, 2,432,000 were granted in connection with the acquisition of AUX Resources Corporation (Note 9) and vest immediately upon grant as agreed upon in the terms of the acquisition.

The Company recorded \$464,022 in stock-based compensation expense (August 31, 2020 - \$867,966) for options vested during the period.

The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were:

Grant Date	Jul 16, 2021	Jul 16, 2021	Jul 16, 2021	Jul 16, 2021	May 21, 2021	Apr 19, 2021	Jan 13, 2021
Expiry Date	Jul 8, 2025	Jul 7, 2024	Feb 8, 2027	Sep 24, 2024	May 21, 2026	Apr 19, 2026	Jan 13, 2026
Expected life (years)	4	2	5.5	3	5	5	5
Expected dividend	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil	\$ nil
Risk-free interest rate	0.75%	0.43%	0.87%	0.62%	0.93%	0.94%	0.44%
Expected volatility	128.32%	95.00%	142.97%	117.64%	102.84%	99.64%	101.93%
Fair value	\$ 0.35	\$ 0.17	\$ 0.22	\$ 0.17	\$ 0.18	\$ 0.17	\$ 0.19

**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**12. SHARE CAPITAL (continued)**

**d) Share Purchase Warrants**

The share purchase warrant continuity for the year ended August 31, 2021 is as follows:

Number Outstanding August 31, 2020	Granted	Exercised	Expired/Cancelled	Number Outstanding August 31, 2021	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
10,600,000	-	-	-	<b>10,600,000</b>	\$ 0.30	Jan 16, 2022	0.38
773,454	-	(14,997)	-	<b>758,457</b>	\$ 0.24	May 14, 2022	0.70
2,332,000	-	-	-	<b>2,332,000</b>	\$ 0.34	Jun 8, 2022	0.77
-	1,560,000	-	-	<b>1,560,000</b>	\$ 0.25	Jun 1, 2023	1.75
-	7,198,928	-	-	<b>7,198,928</b>	\$ 0.40	Jul 6, 2022	0.85
-	11,234,889	-	-	<b>11,234,889</b>	\$ 0.40	Feb 11, 2023	1.45
<b>13,705,454</b>	<b>19,993,817</b>	<b>(14,997)</b>	-	<b>33,684,274</b>	<b>\$ 0.35</b>	<b>(weighted average)</b>	<b>0.93</b>

The share purchase warrant continuity for the year ended August 31, 2020 is as follows:

Number Outstanding August 31, 2019	Granted	Exercised	Expired/Cancelled	Number Outstanding August 31, 2020	Exercise Price per Share	Expiry Date	Weighted Avg Remaining Contractual Life (in years)
1,631,498	-	-	(1,631,498)	-	\$ 0.25	Sep 26, 2019	-
980,000	-	-	(980,000)	-	\$ 0.21	Jun 19, 2020	-
-	8,305,653	(8,240,653)	(65,000)	-	\$ 0.22	Sep 25, 2021 <sup>1</sup>	-
-	3,371,004	(3,316,004)	(55,000)	-	\$ 0.22	Oct 18, 2021 <sup>1</sup>	-
-	10,600,000	-	-	<b>10,600,000</b>	\$ 0.30	Jan 16, 2022	1.38
-	773,454	-	-	<b>773,454</b>	\$ 0.24	May 14, 2022	1.70
-	2,332,000	-	-	<b>2,332,000</b>	\$ 0.34	Jun 8, 2022	1.77
<b>2,611,498</b>	<b>25,382,111</b>	<b>(11,556,657)</b>	<b>(2,731,498)</b>	<b>13,705,454</b>	<b>\$ 0.30</b>	<b>(weighted average)</b>	<b>1.46</b>

The assumptions used in the Black-Scholes Option-Pricing Model for the relative fair value allocation were:

Grant Date	Jul 16, 2021	Jul 16, 2021	Jun 1, 2021
Expiry Date	Feb 11, 2023	Jul 6, 2022	Jun 1, 2023
Expected life (years)	1.5	1	2
Expected dividend	\$ nil	\$ nil	\$ nil
Risk-free interest rate	0.43%	0.43%	0.32%
Expected volatility	81.71%	70.44%	78.53%
Fair value	\$ 0.05	\$ 0.02	\$ 0.11

**SCOTTIE RESOURCES CORP.****Notes to the Consolidated Financial Statements****For the years ended August 31, 2021 and 2020***(Expressed in Canadian dollars)***13. RELATED PARTY TRANSACTIONS AND BALANCES**

- a) The Company's related parties consist of companies with directors and officers in common, and companies owned in whole or in part by executive officers and directors as follows:

<b>Related Party Name</b>	<b>Nature of Transactions</b>
AUX Resources Limited (formerly AUX Resources Corp., or "AUX"), a company related to Bradley Rourke	Reimbursement of expenses incurred
Libero Copper & Gold Corporation ("Libero"), a company related to Bradley Rourke and Ernest Mast	Reimbursement of expenses incurred
Red Fern Consulting Ltd. ("Red Fern"), a company related to Stephen Sulis	Consulting as CFO <i>(terminated in October 2021)</i>
Rhodanthe Corporate Services ("Rhodanthe"), a company related to Christina Boddy	Consulting as Corporate Secretary
Serac Exploration Ltd. ("Serac"), a company related to Bradley Rourke and Thomas Mumford	Geological consulting
YMI Inc. ("YMI"), a company related to Bradley Rourke	Consulting as CEO

The Company incurred the following fees in connection with companies owned or partially owned by key management (Chief Executive Officer, Chief Financial Officer, Corporate Secretary) and/or directors. Expenses have been measured at the exchange amount, which is determined on a cost recovery basis.

	<b>Year ended August 31,</b>	
	<b>2021</b>	<b>2020</b>
Cost reimbursement – AUX	\$ 47,404	\$ -
Cost reimbursement – Libero	34,043	-
Consulting fees – Red Fern	54,000	42,000
Consulting fees – Rhodanthe	36,000	36,000
Consulting fees – Serac	271,913	-
Management fees – YMI	120,000	120,000
<b>TOTAL</b>	<b>\$ 563,360</b>	<b>\$ 198,000</b>

- b) Amounts owing to directors and officers and companies with directors and officers in common are disclosed in Note 10. All amounts are unsecured, with no specific terms of repayment.
- c) Compensation of directors and members of key management personnel, including amounts disclosed in Note 13(a) and (b) were as follows:

	<b>Year ended August 31,</b>	
	<b>2021</b>	<b>2020</b>
Equipment purchase	\$ 135,000	\$ -
Exploration	157,500	150,000
Loan interest	-	2,441
Management fees	120,000	120,000
Professional fees	90,000	78,000
Share-based compensation	378,274	501,961
<b>TOTAL</b>	<b>\$ 880,774</b>	<b>\$ 852,402</b>



**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**14. SEGMENTED DISCLOSURE**

The Company has one reportable operating segment in Canada which operates in the acquisition, exploration and evaluation of mineral resources. All of the Company's non-current assets are located in Canada.

**15. MANAGEMENT OF CAPITAL**

The Company manages its common shares, stock options and warrants as capital (Note 12). 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 level of risk.

The Company manages the capital structure and adjusts 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.

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors including successful capital deployment and general industry conditions.

To maximize ongoing exploration expenditures, the Company does not pay dividends. The Company's investment policy is to keep its cash treasury on deposit in interest-bearing Canadian chartered bank accounts and short-term guaranteed investment certificates.

The Company estimates that it will require additional funding to carry out its exploration plans and operations through the next twelve months. The Company is not subject to any externally imposed capital restrictions. There were no changes to the Company's approach to capital management.

**16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

For the year ended	August 31, 2021	August 31, 2020
<b>Non-cash investing and financing activities:</b>		
Fair value of shares issued for acquisition of AUX	\$ 11,717,422	\$ -
Fair value of warrants issued for acquisition of AUX	656,675	-
Fair value of options issued for acquisition of AUX	379,035	-
Fair value of shares issued for mineral properties	112,500	329,000
Fair value of shares issued in settlement of AP	-	141,750
Fair value of finders' warrants	176,247	128,131
Fair value of finders' warrants exercised	1,557	34,165
Flow through premium liability	54,176	245,721

As at August 31, 2021, the Company recorded \$nil non-cash items in accounts payable and accrued liabilities related to mineral properties (August 31, 2020 – \$69,426).

**SCOTTIE RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended August 31, 2021 and 2020**  
*(Expressed in Canadian dollars)*

**17. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended August 31,	
	2021	2020 <i>(restated, Note 5)</i>
Loss before income taxes	\$ (6,508,188)	\$ (3,870,144)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(1,757,000)	(1,045,000)
Permanent differences and other	(42,000)	574,000
Impact of flow through shares	1,198,000	489,000
Share issue costs	(92,000)	(93,000)
Balances obtained upon acquisition of AUX	(1,436,000)	-
Changes in unrecognized deferred tax assets	2,129,000	457,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	As at August 31,	
	2021	2020
<b>Deferred tax assets (liabilities)</b>		
Mineral property related deductions	\$ (201,000)	\$ (254,000)
Property and equipment	(24,000)	-
Share issue costs	234,000	82,000
Non-capital losses available for future periods	2,856,000	908,000
	2,865,000	736,000
Unrecognized deferred tax assets	(2,865,000)	(736,000)
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits, and unused losses that have not been included on the consolidated statement of financial position are as follows:

As at August 31, 2021, the Company had accumulated non-capital losses of approximately \$10,578,000 (August 31, 2020 – \$5,425,000) that are available to carry forward and offset future years' income. These non-capital losses begin to expire in 2026.

As at August 31, 2021, the Company had accumulated resource related deduction pools of approximately \$11,071,000 (August 31, 2020 – \$4,844,000) that are available to carry forward and offset future years' income at various rates. These pools carry forward indefinitely.

Tax attributes are subject to review and potential adjustment by tax authorities.