BOUNDARY GOLD AND COPPER MINING LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Boundary Gold and Copper Mining Ltd.:

Opinion

We have audited the financial statements of Boundary Gold and Copper Mining Ltd. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on 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. The other information comprises the information included in Management's Discussion and Analysis.

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, 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, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are 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 auditor's 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 auditor's 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 auditor's 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 auditor's report is Barry Hartley.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 23, 2020

BOUNDARY GOLD AND COPPER MINING LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT AUGUST 31,

		2020		2019
ASSETS				
Current assets				
Cash	$	17,663	$	54,526
Marketable securities (Note 3)		-		14,421
Receivables (Note 7)		-		397,131
Prepaid expenses and advances		9,853		47,398
		27,516		513,476
Non-current assets				
Equipment (Note 11)		-		68,599
Deposits		-		18,500
Right-of-use asset (Note 9)		-		58,057
Reclamation bonds (Note 10)		174,700		174,700
Exploration and evaluation assets (Note 10)		3,316,932		3,035,000
TOTAL ASSETS	$	3,519,148	$	3,868,332
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	1,183,014	$	663,490
Accrued liabilities		25,000		27,329
Accounts payable to related parties (Note 12)		56,429		29,340
Loans payable (Note 8)		388,602		-
Lease liability - current portion (Note 9)		12,209		-
		1,665,254		720,159
Non-current liability				
Lease liability - non-current portion (Note 9)		16,837		40,906
		1,682,091		761,065
Shareholders' equity				
Share capital (Note 13)		64,899,682		64,899,382
Share-based payment reserve (Note 13)		5,355,200		5,355,200
Deficit		(68,417,825)		(67,147,315)
		1,837,057		3,107,267
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	3,519,148	$	3,868,332

Nature and continuance of operations (Note 1)
Commitments (Note 19)
Subsequent events (Note 22)

Approved and authorized by the Board on December 23, 2020:

Russell Vanskiver Director   *Yuying Liang* Director

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

BOUNDARY GOLD AND COPPER MINING LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED AUGUST 31,

		2020		2019
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit (Note 12)	$	38,065	$	96,630
Administration (Note 12)		15,000		58,000
Business development (recovery)		(15,000)		8,790
Consulting fees (Note 12)		60,000		118,755
Depreciation (Notes 9 and 11)		26,092		8,633
Interest and bank charges (Notes 8 and 9)		32,107		12,909
Investor relations		21,736		401,050
Legal (Note 12)		68,530		295,203
Management and directors' fees (Note 12)		429,647		396,681
Office and miscellaneous		21,695		43,377
Property investigation costs		-		240,006
Rent		51,500		84,756
Shareholder communications		2,046		68,240
Share-based payments (Notes 12 and 13)		-		923,840
Transfer agent and regulatory fees		49,691		64,650
Travel and related costs		10,481		158,824
		(811,590)		(2,980,344)
Foreign exchange gain (loss)		2,665		(87)
Interest income		165		6,355
Impairment of exploration and evaluation assets (Note 9)		-		(15,672,523)
Loan provision (Note 4)		-		(52,900)
Provision for receivable		-		(12,457)
Settlement of flow-through premium liability (Note 14)		-		208,322
Unrealized loss on marketable securities (Note 3)		-		(20,942)
Write-off of marketable securities (Note 3)		(14,421)		-
Write-off of receivables (Note 7)		(397,131)		-
Write-off of equipment (Note 11)		(50,198)		-
		(458,920)		(15,544,232)
Net loss and comprehensive loss for the year	$	(1,270,510)	$	(18,524,576)
Basic and diluted loss per common share (Note 15)	$	(0.04)	$	(0.70)
Weighted average number of common shares outstanding (Note 15)		31,548,834		26,489,184

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

BOUNDARY GOLD AND COPPER MINING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED AUGUST 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,270,510)	$ (18,524,576)
Items not affecting cash:		
Share-based payments	-	923,840
Accrued interest	29,631	-
Depreciation	26,092	8,633
Derecognition of right-of-use of asset	49,147	-
Unrealized loss on marketable securities	-	20,942
Settlement of flow-through share premium liability	-	(208,322)
Impairment of exploration and evaluation assets	-	15,672,523
Loan provision	-	52,900
Receivable provision	-	12,457
Write-off of marketable securities	14,421	
Write-off of receivables	397,131	-
Write-off of equipment	50,198	-
Changes in non-cash working capital items:		
Decrease in receivables	-	1,082,863
(Increase) decrease in prepaid expenses and deposits	56,045	(2,985)
Increase in accounts payable and accrued liabilities	518,414	402,244
Increase (decrease) in accounts payable to related parties	27,089	(29,741)
Net cash used in operating activities	(102,342)	(589,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment received from GreenScience loan	-	962
Purchase of equipment	-	(69,429)
Exploration and evaluation expenditures	(281,632)	(3,014,911)
Net cash used in investing activities	(281,632)	(3,083,378)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	-	1,417,450
Share issuance costs	-	(106,546)
Payment of lease liability	(12,889)	(17,151)
Proceeds from loan	360,000	-
Net cash provided by financing activities	347,111	1,293,753
Net change in cash during the year	(36,863)	(2,378,847)
Cash, beginning of year	54,526	2,433,373
Cash, end of year	$ 17,663	$ 54,526

Supplemental disclosure with respect to cash flows (Note 18)

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

BOUNDARY GOLD AND COPPER MINING LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	Number of Shares	Share Capital	Share Based Payment Reserve	Deficit	Total Shareholders' Equity
Balance, August 31, 2018	**24,090,112**	**$ 63,691,132**	**$ 4,420,231**	**$ (48,622,739)**	**$ 19,488,624**
Shares issued for cash (Note 13)	7,297,000	1,417,450	-	-	1,417,450
Share issuance costs - cash (Note 13)	-	(106,546)	-	-	(106,546)
Share issuance costs - finder's warrants (Note 13)	-	(11,129)	11,129	-	-
Shares issued to acquire property (Notes 10 and 13)	75,000	39,375	-	-	39,375
Shares issued to acquire property (Notes 10 and 13)	75,000	7,500	-	-	7,500
Shares issued to acquire property (Notes 10 and 13)	10,000	1,000	-	-	1,000
Share-based payments (Note 13)	-	-	923,840	-	923,840
Flow-through share premium (Notes 13 and 14)	-	(139,400)	-	-	(139,400)
Loss and comprehensive loss for the year	-	-	-	(18,524,576)	(18,524,576)
Balance, August 31, 2019	**31,547,112**	**64,899,382**	**5,355,200**	**(67,147,315)**	**3,107,267**
Shares issued to acquire property (Notes 10 and 13)	10,000	300	-	-	300
Loss and comprehensive loss for the year	-	-	-	(1,270,510)	(1,270,510)
Balance, August 31, 2020	**31,557,112**	**$ 64,899,682**	**$ 5,355,200**	**$ (68,417,825)**	**$ 1,837,057**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Boundary Gold and Copper Mining Ltd. (formerly Prize Mining Corporation) (the "Company") was incorporated under the Business Corporations Act (Alberta) on August 16, 1996. The Company is a resource exploration company focused on acquiring and exploring resource properties. The Company's shares are listed on the TSX Venture Exchange. On October 16, 2019, the Company changed its name to Boundary Gold and Copper Mining Ltd. and its stock symbol to "BDGC". The Company's head office and registered and records office address is Suite 400 – 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

Effective November 26, 2019, the Company consolidated its common shares on the basis of five (5) pre-consolidated share for one (1) post-consolidated share. All share figures and references are retrospectively adjusted.

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 had a net loss of $1,270,510 for the year ended August 31, 2020. At August 31, 2020, the Company had a working capital deficiency of $1,637,738, had not yet achieved profitable operations and has an accumulated deficit of $68,417,825 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

In March 2020, there was a global outbreak of COVID-19 (Coronavirus), which has had a significant impact on businesses through the restrictions put in place Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak might increase the difficulty in capital raising which may negatively impact the Company's business and financial condition.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations. The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements were authorized for issue by the Board of Directors on December 23, 2020.

Basis of consolidation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation (cont'd…)

These consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Company. 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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

The principal subsidiaries of the Company as of August 31, 2020 are as follows:

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest August 31, 2020	Ownership Interest August 31, 2019
1994854 Alberta Ltd. ("199")	Mineral exploration	Canada	100%	100%
Scion Mines S.A. de C.V. ("Scion")	Mineral exploration	Mexico	100%	100%

Foreign currency translation

The presentation currency of the financial statements is the Canadian dollar. The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the group. The Company considers the functional currency for itself and its subsidiaries to be the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21, *the Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the date of transaction. At the end of each reporting period, the monetary assets and liabilities of the Company 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 of foreign operations with functional currencies different from the presentation currency are included in the statement of comprehensive loss.

The assets and liabilities of the Company's subsidiaries which have functional currencies different from the presentation currency of the Company are translated to the presentation currency at the rate of exchange in effect at the financial reporting period end; revenue and expenses are translated at average exchange rates. All resulting exchange gains or losses are included in the statement of comprehensive loss.

2. BASIS OF PREPARATION (cont'd…)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments under IFRS 9:

Financial assets/liabilities	IFRS 9 Classification
Cash	FVTPL
Marketable securities	FVTPL
Receivables	Amortized cost
Loan receivable	Amortized cost
Accounts payable	Amortized cost
Accounts payable to related parties	Amortized cost
Loan payable	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the consolidated statements of net loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. BASIS OF PREPARATION (cont'd…)

Financial instruments (cont'd…)

<u>Derecognition</u>

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive net loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive net loss.

Revenue from contracts with customers

The new revenue standard introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. As the Company has no revenue, no impact on the Company's consolidated financial statements has resulted.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

2. BASIS OF PREPARATION (cont'd…)

Cash

Cash is comprised of cash on hand and demand deposits.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated at the following annual rates, approximating their estimated useful lives in years, commencing when the related assets are available for use:

Computer equipment	30% declining balance method
Mobile trailers	30% declining balance method
Office furniture and equipment	20% declining balance method
Vehicles	5 years straight line

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that 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, if no impairment loss had been recognized.

Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred. All costs related to the acquisition, and exploration of mineral properties are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its exploration and evaluation assets at least annually to consider if there is an impairment value to take into consideration from current exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the mineral property is considered to be a mine under development and is classified as "Mining Assets". Exploration and evaluation expenditures accumulated are also tested for impairment before the property costs are transferred to mining assets.

Impairment of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

2. BASIS OF PREPARATION (cont'd…)

Impairment of long-lived assets (cont'd…)

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset or CGU's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Determining the discount rate includes appropriate adjustments for the risk profile of the country in which the individual asset or CGU operates.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depletion) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of comprehensive income (loss).

Provision for environmental rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its exploration and evaluation assets as at August 31, 2020.

Share-based payments

The Company grants restricted share units and stock options to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of all restricted share units and stock options granted is recorded using the graded attribution method. The fair value of stock options, as adjusted for the expected level of vesting, is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

2. BASIS OF PREPARATION (cont'd…)

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Flow-through common shares

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

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

The Company may also be subjected to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Income taxes

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

Deferred tax 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. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PREPARATION (cont'd…)

Loss per share

The dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the periods presented, diluted loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive. Basic loss per common share is calculated using the weighted-average number of shares outstanding during the year.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Critical judgments and sources of estimation uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. It was determined that the Canadian dollar is the functional currency of the Company and its subsidiaries.

(iii) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

(iv) The determination of whether a set of assets acquired, and liabilities assumed constitute a business may require the Company to make certain judgments, 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 199 and Scion was determined to constitute an acquisition of assets (Notes 5 and 6).

2. BASIS OF PREPARATION (cont'd…)

Critical judgments and sources of estimation uncertainty (cont'd…)

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(ii) The assessment of any impairment of evaluation and exploration assets, and property and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets.

(iii) The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of the 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 net loss and share-based payment reserve.

3. MARKETABLE SECURITIES

Marketable securities consist of Nil common shares (2019 - 542,343) of NexGen Mining Incorporated ("NexGen"), formerly Brilliant Sands Incorporated. NexGen is a related party by virtue of a common director with the Company.

During the year ended August 31, 2020, the Company recorded an unrealized loss of $Nil (2019 - $20,942), related to the marketable securities.

During the year ended August 31, 2020, the Company wrote-off the marketable securities relating to NexGen and recognized a loss of $14,421 (2019 - $Nil).

4. LOAN RECEIVABLE

The Company entered into an exclusivity agreement dated September 10, 2015 and a non-binding letter of intent dated May 12, 2015 which together set out the basic terms and conditions for the acquisition (the "Transaction") by the Company of all of the issued and outstanding shares of GreenScience Technologies Inc. ("GreenScience") in exchange for common shares of the Company.

On September 11, 2015, the Company entered into a loan agreement with GreenScience in the amount of $50,000 with interest rate of 5.7% per annum and is secured by a security interest in all of the assets of GreenScience. Interest will begin to accrue on the principal as of the date of the advance thereof by the Company and will be compounded quarterly. All interest on becoming overdue will be treated, as to payment of further interest, as principal and will bear compound interest at the rate of the loan rate both before and after the obtaining of any judgment by the Company against GreenScience to the extent permitted by law.

4. LOAN RECEIVABLE (cont'd…)

The Principal Sum and interest due will be payable as follows:

(a) Four (4) consecutive quarterly installments of interest, each in the amount of $713 will be payable, in arrears, commencing on the earlier of September 11, 2016 and the third business day following the completion by GreenScience of a financing (each, an "Interest Payment Date"), subject to adjustment and prepayment of the Principal Sum as permitted pursuant to the terms of the Agreement.

(b) Followed by twelve (12) consecutive equal quarterly installments of principal and interest, in arrears, commencing on September 11, 2017 (each, a "Principal Payment Date", Interest Payment Date and Principal Payment Date are together referred to as a "Payment Date"), subject to adjustment pursuant to terms hereof and prepayment of the Principal Sum as permitted pursuant to the terms of the Agreement.

(c) GreenScience will repay the loan in full on the earlier of September 11, 2020 and any date of acceleration or prepayment in full of the loan pursuant to the terms of the agreement, at which time GreenScience will repay in full, if any, the aggregate of the then-outstanding Principal Sum plus all accrued and unpaid interest thereon and all other fees, expenses or other amounts owed related to the loan.

(d) If any payment due is not received within five (5) days of its due date, GreenScience will pay a late charge equal to five (5%) percent of the amount in arrears.

As at August 31, 2019, the Company recorded $2,900 of interest on the Principal Sum, which was included in the loan receivable balance. Interest payment of $962 was paid during the 2019 year. The principal payments due in fiscal year 2019 totaling $16,667 have not been made and as a result an interest rate of 7.7% is payable. The Company is currently in discussions with GreenScience in regards to the overdue principal payments and has granted a one-year extension to GreenScience to repay the loan. Based on the uncertain collection of the loan receivable, the Company has fully provided for the loan receivable as at August 31, 2019.

5. ACQUISITION OF 1994854 ALBERTA LTD.

During the year ended August 31, 2017, the Company entered into an agreement, pursuant to which the Company acquired all of the outstanding share capital of 199, an arm's length party (the "Acquisition"). 199 Alberta is a privately held mineral exploration company that holds an option with Apex Resources Inc. ("Apex") to earn up to a 100% interest in the Kena and Daylight Project (Note 10). In consideration for the outstanding share capital of 199 Alberta, the Company issued 5,705,000 common shares with a fair value of $9,983,750.

The acquisition of 199 was treated as an acquisition of exploration and evaluation assets. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

(Expressed in Canadian dollars)

5. ACQUISITION OF 1994854 ALBERTA LTD. (cont'd…)

Net assets acquired		
Cash	$	122,481
Amounts receivable		12,457
Exploration and evaluation assets		540,364
Advance due from the Company		45,000
Accounts payable		(13,530)
Net assets acquired:	**$**	**706,772**

Consideration		
Fair value of 5,705,000 common shares issued	$	9,983,750
Less: net assets		(706,772)
Excess consideration paid over the net assets of 199	**$**	**9,276,978**

The excess of the consideration over the net assets of 199 has been added to the exploration and evaluation assets to reflect the fair value of the Kena and Daylight Project (Note 10).

6. ACQUISITION OF SCION MINES S.A. DE C.V.

In December 2017, the Company closed the acquisition of Scion, an arm's length party, pursuant to a share purchase agreement dated November 22, 2017. Scion owns a 100% interest in the Manto Negro Copper Project which consists of mining concessions in the State of Coahuila. In consideration for the outstanding share capital of Scion, the Company issued 1,200,000 common shares ("Acquisition Shares") with a fair value of $2,100,000. The Acquisition Shares are subject to contractual resale restrictions. These restrictions expire in respect of 10% of the Shares on the closing date and in respect of an additional 15% of the Acquisition Shares on each of the six, twelve, eighteen, twenty-four and thirty-six month anniversaries of the closing date.

The acquisition of Scion was treated as an acquisition of exploration and evaluation assets. At the time of acquisition, there were no assets and liabilities in Scion except for the 100% ownership in the Manto Negro Copper Project. The consideration paid for Scion of $2,100,000 has been added to the exploration and evaluation assets to reflect the fair value of the Manto Negro Copper Project (Note 10).

7. RECEIVABLES

		2020		**2019**
VAT Receivable	$	-	$	397,131
Total	$	-	$	397,131

During the year ended August 31, 2020, the Company determined that the VAT receivable is uncollectible. A write-off of receivables of $397,131 (2019 - $Nil) was recognized in the statement of comprehensive loss.

(Expressed in Canadian dollars)

8. LOANS PAYABLE

On September 18, 2019, the Company entered into two separate loan agreements with third parties for $150,000 each for an aggregate of $300,000. Both loans bear interest at 10% per annum. The principal amount and any accrued interest are due in one year and are secured with general security agreement against the Kena-Daylight property. During the year ended August 31, 2020, the Company recorded accrued interest of $28,602 on the loans. The loan payable had a balance of $328,602 as of August 31, 2020.

As of August 31, 2020, the Company received loans of $60,000 from third parties. The loan is unsecured, non-interest bearing and has no specific terms of repayment.

9. LEASE ASSETS AND LIABILITIES

During the year ended August 31, 2019, the Company entered a lease agreement for use of vehicle for a monthly lease payment of $1,074 over a period of four years. The Company recognized the value of right-of-use ("ROU") asset and lease liability on the statement of financial position.

Right of use lease assets

Present value of lease payments	$	48,624
Deposit		9,433
Balance, August 31, 2019		58,057
Depreciation		(8,910)
Derecognition		(49,147)
Balance, August 31, 2020	**$**	**-**

During the year ended August 31, 2020, the Company signed a severance agreement with a former executive, which included the former executive taking possession of the above-mentioned vehicle and the Company continuing to pay the monthly payments. Accordingly, the Company derecognized the ROU asset.

Lease liability

Present value of lease payments	$	48,624
Accrued interest		875
Cash payment		(8,593)
Balance, August 31, 2019		40,906
Accrued interest		1,029
Cash payment		(12,889)
Balance, August 31, 2020		**29,046**
Less: Current portion		(12,209)
Non-current portion	$	**16,837**

10. EXPLORATION AND EVALUATION ASSETS

The Kena-Daylight and the Toughnut Property combined forms a single area of exploration for the Company.

Kena - Daylight Project

On April 11, 2017, the Company completed its acquisition of 199 (Note 5). 199 entered into an option agreement with Apex, as amended on June 26, 2019, pursuant to which it has an option (the "Option") to earn an 80% interest in Apex's Kena and Daylight properties located in the Nelson area of British Columbia, Canada. The Option has a term of 4 years commencing from October 3, 2016 (the "Effective Date"). The obligations and rights of 199 under the Option have been assigned to the Company. To exercise the Option and earn its 80% interest in the Kena Project, the Company will:

i. Make the following cash option payments to Apex:
   a. $500,000 within 5 business days from the Effective Date (paid by 199 prior to the Acquisition);
   b. an additional $250,000 within twelve months from the Effective Date (paid October 4, 2017);
   c. an additional $250,000 within twenty-four months from the Effective Date (paid September 28, 2018); and
   d. an additional $250,000 within thirty-five months from the Effective Date (paid September 27, 2019).

   for total cash option payments of $1,250,000. Under the Option Agreement, a final cash payment of $250,000 was to be made within thirty-six months from the Effective Date. Pursuant to the Amending Agreement, the final cash payment of $250,000 is to be paid one month earlier, within thirty-five months from the Effective Date;

ii. issue common shares to Apex as follows:
   a. 75,000 shares within 5 business days from the Effective Date (issued by 199 prior to the Acquisition);
   b. an additional 75,000 shares within twelve months from the Effective Date (issued with a value of $106,876);
   c. an additional 75,000 shares within twenty-four months from the Effective Date (issued with a value of $39,375) (Note 13); and
   d. an additional 75,000 shares anytime before July 31, 2019 (issued with a value of $7,500) (Note 13).

   for a total of 300,000 shares. Under the Option Agreement, the Company had an obligation to issue a final allocation of 75,000 shares to Apex within thirty-six months from the Effective Date. Pursuant to the Amending Agreement, the Company is required to issue the 75,000 shares anytime before July 31, 2019 (issued July 5, 2019); and

iii. incur exploration expenditures on the Kena Project as follows:
   a. $100,000, within twelve months from the Effective Date (completed);
   b. an additional $400,000 within twenty-four months from the Effective Date (completed);
   c. an additional $1,000,000 within sixty months from the Effective Date; and
   d. an additional $1,500,000 within seventy-two months from the Effective Date.

   for total exploration expenditures of $3,000,000. Pursuant to the Amending Agreement item 1(c) above has been extended by two years to sixty months from the Effective Date and item 1(d) above has been extended by two years to seventy-two months from the Effective Date.

   All other provisions of the Option Agreement remain unamended.

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Kena - Daylight Project (cont'd …**)**

After earning its 80% interest in the Kena-Daylight Project, the Company has a second option to earn and acquire up to an additional 20% undivided interest in the Kena-Daylight Project by making a $2,000,000 cash payment to Apex and granting a 1% net smelter returns royalty (the "NSR") on the Kena-Daylight Project to Apex on or before the date that is 180 days following the date of exercise of the 80% option. 199 has the right to purchase one half of the 1% NSR for a purchase price of $5,000,000 on or before the date in which commercial production commences. If the 20% option is not exercised, 199 and Apex will establish an 80:20 joint venture for the further management, exploration and development of the Kena-Daylight Project.

Toughnut Property

As of July 4, 2017, the Company entered into an option agreement to acquire a 100% interest in the Toughnut Property, located in southeastern British Columbia. To acquire the Toughnut property, the Company must pay $150,000, issue 50,000 common shares and incur $750,000 of exploration expenditures over a five-year period. The requirements of the option agreement are as follows:

a. Pay $30,000 cash (paid) and issue 10,000 common shares on or before five business days following the effective date (June 30, 2017) (issued);
b. Pay $30,000 cash (paid) and issue 10,000 common shares on or before June 30, 2018 (issued with a value of $8,000);
c. Pay $30,000 cash (paid) and issue 10,000 common shares on or before June 30, 2019 (issued with a value of $1,000) (Note 13);
d. Pay $30,000 cash (paid) and issue 10,000 common shares on or before June 30, 2020 (issued with a value of $300) (Note 13);
e. Pay $30,000 cash and issue 10,000 common shares on or before June 30, 2021; and
f. Incur $750,000 in exploration expenditures on or before June 30, 2022 (completed). As of August 31, 2020, the Company has incurred exploration expenditures of $1,474,654.

The Toughnut property will be subject to a 2% NSR on its acquisition by the Company. The Company shall have the right to purchase one-half of the 2% NSR for the purchase price of $2,000,000 on or before the date on which commercial production commences. The property is also subject to a 0.5% NSR from the production of metals until the $1,000,000 cap has been attained on the underlying royalty to the original sellers of the property.

As at August 31, 2019, the Company estimated the fair value of the Kena-Daylight-Toughnut project to be $3,035,000, resulting in an impairment charge of $9,940,704.

As of August 31, 2020, the Company has reclamation bond deposit of $174,700 (2019 - $174,700) related to potential environmental rehabilitation work for the Kena-Daylight-Toughnut project.

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Manto Negro Copper Project

On December 7, 2017, the Company closed the acquisition of Scion, an arm's length party, pursuant to a share purchase agreement dated November 22, 2017 (Note 6). Scion owns a 100% interest in the Manto Negro Copper Project which consists of seven mining concessions in the State of Coahuila.

The Company also agreed to issue up to an additional one million two hundred common shares (the "Bonus Shares") to Scion's original shareholders upon the satisfaction of certain conditions:

a. 400,000 Bonus Shares if the estimated copper resource of the Manto Negro Copper Project (as determined in accordance with NI 43-101 and set out in a technical report prepared in accordance with NI43-101) is equal to or greater than 500 million pounds;
b. 400,000 Bonus Shares if the estimated copper resource of the Manto Negro Copper Project (as determined in accordance with NI 43-101 and set out in a technical report prepared in accordance with NI43-101) is equal to or greater than 750 million pounds; and
c. 400,000 Bonus Shares if the estimated copper resource of the Manto Negro Copper Project (as determined in accordance with NI 43-101 and set out in a technical report prepared in accordance with NI43-101) is equal to or greater than one billion pounds.

As at August 31, 2019, the Company decided not to pursue exploration of the Manto Negro Copper Project and accordingly recorded an impairment charge of $5,701,819.

Carscallen Property

On April 11, 2019, the Company entered into an option agreement with Denton Resources Ltd. ("Denton"), whereby the Company will acquire a 100% interest in the 62 mineral claims comprising the Carscallen property in the district of Cochrane, near Timmins, Ontario.

The Company may exercise the option by paying the vendor $30,000 (paid) and issuing 200,000 common shares and 200,000 common share purchase warrants for each geophysical anomaly that successfully meets the test criteria on at least one of the first two test holes drilled in such anomaly. Each common share purchase warrant may be exercised for a period of 24 months from the date of issuance at an exercise price of $0.25 per warrant share.

As at August 31, 2019, the Company decided not to pursue exploration of the Carscallen Project and accordingly recorded an impairment charge of $30,000.

(Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION ASSETS (cont'd…)

The continuity of the Company's exploration and evaluation assets is as follows:

	Kena-Daylight-Toughnut
Acquisition Costs	
Balance, beginning at August 31, 2019	$ 10,603,592
Incurred	280,300
Balance, ending at August 31, 2020	10,883,892
Deferred Exploration Costs	
Balance, beginning	2,372,112
Project preparation and support	489
Report and data compilation	1,750
Miscellaneous	(607)
Balance, ending at August 31, 2020	2,373,744
Impairment	(9,940,704)
Total exploration & evaluation	**$ 3,316,932**

	Kena-Daylight-Toughnut	Carscallen	Canada Total	Mexico Manto Negro	Total 2019
Acquisition Costs					
Balance, beginning at August 31, 2018	$ 10,275,717	$ -	$ 10,275,717	$ 2,100,000	$ 12,375,717
Incurred during the year	327,875	30,000	357,875	-	357,875
Balance, ending at August 31, 2019	10,603,592	30,000	10,633,592	2,100,000	12,733,592
Deferred Exploration Costs					
Balance, beginning at August 31, 2018	1,876,722	-	1,876,722	1,369,376	3,246,098
Drilling	293,924	-	293,924	350,677	644,601
Water for drilling	-	-	-	66,560	66,560
Equipment rental	16,515	-	16,515	429,156	445,671
Geological and geophysical	23,265	-	23,265	359,352	382,617
Management fees	-	-	-	156,000	156,000
Project preparation and support	3,624	-	3,624	130,934	134,558
Sampling and analysis costs	80,645	-	80,645	14,893	95,538
Travel and accommodations	66,936	-	66,936	29,304	96,240
Report and data compilation	10,481	-	10,481	151,684	162,165
Over/under budget	-	-	-	90,859	90,859
Environmental consulting	-	-	-	24,848	24,848
Taxes and mineral claims	-	-	-	207,206	207,206
Land rental payments	-	-	-	65,010	65,010
Camp costs and field expenses	-	-	-	145,190	145,190
Miscellaneous	-	-	-	10,770	10,770
Balance, ending at August 31, 2019	2,372,112	-	2,372,112	3,601,819	5,973,931
Impairment	(9,940,704)	(30,000)	(9,970,704)	(5,701,819)	(15,672,523)
Total exploration and evaluation	**$ 3,035,000**	**$ -**	**$ 3,035,000**	**$ -**	**$ 3,035,000**

(Expressed in Canadian dollars)

11. EQUIPMENT

		Computer equipment		Office furniture and equipment		Vehicle**		Mobile trailers*		Total
Cost										
Balance at August 31, 2018	$	33,496	$	2,491	$	36,935	$	-	$	72,922
Additions		-		631		-		68,798		69,429
Balance at August 31, 2019		33,496		3,122		36,935		68,798		142,351
Write-off		-		(325)		(16,621)		(68,798)		(85,744)
Balance at August 31, 2020	$	33,496	$	2,797	$	20,314	$	-	$	56,607
Accumulated depreciation										
Balance at August 31, 2018	$	32,319	$	2,491	$	7,387	$	-	$	42,197
Additions		1,177		69		7,387		22,922		31,555
Balance at August 31, 2019		33,496		2,560		14,774		22,922		73,752
Additions		-		237		5,540		11,405		17,182
Write-off		-		-		-		(34,327)		(34,327)
Balance at August 31, 2020	$	33,496	$	2,797	$	20,314	$	-	$	56,607
Carrying amounts										
Balance, at August 31, 2019	$	-	$	562	$	22,161	$	45,876	$	68,599
Balance, at August 31, 2020	$	-	$	-	$	-	$	-	$	-

*In relation to the Company's decision not to pursue the Manto Negro project (Note 10), the Company wrote-off the mobile trailers which were used primarily for the project. The Company does not anticipate any further use of this equipment. **As part of a settlement agreement with a former executive, a vehicle was transferred to the former executive and $1,219 was charged to management and director fees, resulting in a total write off of equipment charge of $50,198 during the year ended August 31, 2020.

12. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2020, the Company carried out the following transactions with related parties:

a. Transactions:

		August 31, 2020		August 31, 2019
Administration and accounting fees to a company controlled by former officers and directors of the Company	$	-	$	66,000
Consulting fees to former directors	$	-	$	87,000
Management fees to an officer and director and a company controlled by an officer and director	$	83,500	$	60,000
Management fee to a former director and officer*	$	270,000	$	270,000
Legal fees and share issue costs to a firm of which the former corporate secretary is a partner	$	-	$	73,877

*Includes severance fee to a former director and officer

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (cont'd…)

b. Key management compensation:

Key management includes the President and CEO and the CFO. The compensation paid or payable to key management or companies controlled by them for director and/or management services is shown below:

		August 31, 2020		August 31, 2019
Fees reported as management fees to an officer and director and a company controlled by an officer and director	$	83,500	$	60,000
Fees reported as management fee to a former director and officer*	$	270,000	$	270,000
Directors' fees	$	27,000	$	222,681
Share-based compensation	$	-	$	763,741

*Includes severance fee to a former director and officer

c. Accounts payable to related parties:

		August 31, 2020		August 31, 2019
Fees to a directors and officers of the Company	$	56,429	$	29,340

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

13. SHARE CAPITAL

Authorized shares

Unlimited number of voting common shares without par value.
Unlimited number of preferred shares, issuable in series.

Issued and outstanding

Effective November 26, 2019, the Company consolidated its common shares on the basis of five (5) pre-consolidated share for one (1) post-consolidated share.

At August 31, 2020, the Company had 31,557,112 (2019 - 31,547,112) common shares and no preferred shares outstanding.

Year ended August 31, 2020

On June 29, 2020, the Company issued 10,000 common shares with a fair value of $300 pursuant to the terms of the option agreement in relation to the Toughnut Property (Note 10).

Year ended August 31, 2019

a. On October 2, 2018, the Company closed a brokered private placement of 697,000 flow-through shares at a price of $0.85 per share for gross proceeds of $592,450. The Company recognized a flow-through premium of $139,400 (Note 14). In connection with the offering, the Company incurred $101,670 in share issue costs and issued 48,790 brokers warrants at an exercise price of $0.75 per share, exercisable up to any time on or before October 1, 2019. The fair value of the brokers warrants was $11,129 calculated using the Black-Scholes method with the following weighted average assumptions:

(Expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd…)

Year ended August 31, 2019 (cont'd…)

Risk-free interest rate	2.27%
Expected life of warrant	1 year
Expected dividend yield	0%
Expected stock price volatility	101.30%

b. On September 20, 2018, the Company issued 75,000 shares valued at $39,375 in relation to the Kena Project (Note 10).

c. On May 24, 2019, the Company closed a non-brokered private placement of 5,040,000 common shares at a price of $0.125 per share for gross proceeds of $630,000. The Company incurred share issue costs of $4,876 related to the private placement.

d. On June 19, 2019, the Company closed a non-brokered private placement of 1,560,000 common shares at a price of $0.125 per share for gross proceeds of $195,000.

e. On July 5, 2019, the Company issued 10,000 common shares with a fair value of $1,000 pursuant to the terms of the option agreement in relation to the Toughnut Property, and 75,000 common shares with a fair value of $7,500 in relation to the Kena Project (Note 10).

Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, August 31, 2018	8,095,357	$	1.55
Issued	48,790		0.75
Expired	(6,848,691)		1.55
Cancelled	(1,016,666)		1.25
Balance, August 31, 2019	278,790	$	2.20
Expired	(278,790)		2.20
Balance, August 31, 2020	-	$	-

As at August 31, 2020, the Company has Nil share purchase warrants outstanding.

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the market price permitted by any stock exchange on which the Company's common shares are listed or any other regulatory body having jurisdiction. The options can be granted for a maximum term of 10 years and are subject to vesting provisions determined by the board of directors.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

On July 15, 2019, the Company granted 1,340,000 options to certain directors, officers, employees and consultants. The options have an exercise price of $0.25 per common share and an expiry date of July 16, 2024. Of the total options granted on this day, 1,080,000 options were granted to directors and officers of the Company. The options vested on the grant date and the fair value of the options granted was estimated to be $133,557 using the Black Scholes Option Pricing Model.

On October 19, 2018, the Company granted 965,000 options to purchase common shares of the Company to directors, officers, employees and consultants of the Company. The options have an exercise price of $1.00 per common share and has an expiry date of October 18, 2023. Of the total options granted on this day, 645,000 options were granted to directors and officers of the Company. The options vested on the grant date and the fair value of the options granted was estimated to be $432,578 using the Black Scholes Option Pricing Model.

In addition, the Company granted the former CEO of the Company, an award consisting of 480,000 restricted share units ("RSUs"). An initial grant of 80,000 RSUs vest immediately upon issuance valued at $36,000, and the remaining 400,000 RSUs vest upon the achievement of certain performance criteria, of which 200,000 RSUs valued at $90,000 vested during the year ended August 31, 2019. The final 200,000 RSUs were deemed to have a Nil chance of vesting per management based on the performance criteria and because the CEO resigned in September 2019 and as such, no value was recorded for these RSUs during the years ended August 31, 2019 and 2020. The RSUs were forfeited and cancelled during the year ended August 31, 2020.

During the year ended August 31, 2019, the Company recognized $231,705 in share-based payment expense for options granted in prior years that vested in fiscal 2019.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at August 31, 2018	1,100,000	$ 2.60
Granted	2,305,000	0.55
Cancelled	(1,085,000)	2.55
Expired	(640,000)	1.00
Outstanding at August 31, 2019	1,680,000	$ 0.40
Expired	(290,000)	1.08
Outstanding at August 31, 2020	1,390,000	$ 0.28
Options exercisable at August 31, 2020	1,390,000	$ 0.28

(Expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

The following incentive stock options were outstanding to directors, officers and employees at August 31, 2020:

Number of Options Outstanding	Exercise Price ($)	Expiry Date	Number of Options Exercisable
50,000	1.00	October 18, 2023	50,000
250,000	0.25	September 11, 2020*	250,000
140,000	0.25	September 20, 2020*	140,000
200,000	0.25	September 26, 2020*	200,000
250,000	0.25	November 15, 2020*	250,000
500,000	0.25	July 15, 2024	500,000
1,390,000	0.28		1,390,000

*Expiry date was adjusted due to resignation of several officers, directors, consultants and employees of the Company during the year ended August 31, 2020. Subsequent to the year end, these options expired unexercised.

The weighted average life of the stock options are 1.56 years.

The fair value of stock options granted during the year ended August 31, 2019 was estimated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	July 15, 2019	October 18, 2018	August 31, 2018
Risk-free interest rate	1.52%	2.38%	1.74%
Expected life of option	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%
Expected stock price volatility	273.96%	267.77%	298.81%

Share-based payments

Total share-based payments recognized for stock options granted and vested using the graded vesting method during the year ended August 31, 2020 was $Nil (2019 - $923,840).

Share-based compensation reserve

Share-based compensation reserve comprised of share-based payments recognized from stock options granted and warrant reserve.

14. FLOW-THROUGH SHARE PREMIUM LIABILITY

		Total
Balance at August 31, 2018		68,922
Liability incurred on flow-through shares issued (Note 13)		139,400
Settlement of flow-through share liability on expenditures incurred during the year		(208,322)
Balance at August 31, 2019 and 2020	$	-

(Expressed in Canadian dollars)

15. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended August 31, 2020 was based on the loss attributable to common shareholders of $1,270,510 (2019 - $18,524,576) and a post-consolidation weighted average number of common shares outstanding of 31,548,834 (2019 - 26,489,184).

16. CAPITAL MANAGEMENT

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in shareholders' equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. As at August 31, 2020, the Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

17. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets. The Company's geographical segments information is as follows:

	Canada	Mexico	Total
Balance at August 31, 2020			
Mineral properties	$ 3,316,932	$ -	$ 3,316,932
Other non-current assets	$ 174,700	$ -	$ 174,700
Balance at August 31, 2019			
Mineral properties	$ 3,035,000	$ -	$ 3,035,000
Other non-current assets	$ 251,058	$ 68,798	$ 319,856

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended August 31, 2020, a balance of 75,819 included in exploration and evaluation assets relating to accounts payable and accrued liabilities.

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

a) Accrued interest of $2,900 on the loan receivable, which was added to the loan receivable amount (Note 4).
b) A balance of $255,880 included in exploration and evaluation assets relating to accounts payable and accrued liabilities.

19. COMMITMENTS

The Company does not have any commitments at August 31, 2020.

20. FAIR VALUE MEASUREMENT AND RISK

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2020, the Company had a cash balance of $17,663 (2019 - $54,526) to settle current liabilities of $1,665,254 (2019 - $720,159). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

The Company has historically relied on equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing market conditions.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

(a) Interest rate risk

The Company has cash balances and no variable interest-bearing debt and therefore is not exposed to risk in the event of fluctuations.

(b) Foreign currency risk

The Company is not exposed to significant foreign currency risk on fluctuations related to cash and accounts payable liabilities that are denominated in United States dollars ("US$") and Mexican pesos ("MX$"). The Company does not use derivatives or other techniques to manage foreign currency risk.

(Expressed in Canadian dollars)

20. FAIR VALUE MEASUREMENT AND RISK (cont'd…)

Market risk (cont'd…)

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices, and the stock market to determine the appropriate course of action to be taken by the Company.

(d) Fair value

The carrying value of marketable securities, receivables, accounts payable, accounts payable to related parties and loan payable approximate fair value because of the short term nature of the instruments. The carrying value of the long-term deposit and reclamation bond are the amortized costs.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The fair value of cash and marketable securities are based on level 1 inputs of the fair value hierarchy.

21. INCOME TAXES

A reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statements of comprehensive loss is provided below:

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

		2020		2019
Loss for the year	$	(1,270,510)	$	(18,524,576)
Tax rate		27%		27%
Expected income tax recovery		(343,000)		(5,002,000)
Change in statutory, foreign tax, foreign exchange rates and other				-
Permanent differences		-		260,000
Impact of flow through shares		-		(56,000)
Share issue costs		-		(135,000)
Effect of impairment of assets not previously recognized		-		3,835,000
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		917,000		-
Change in unrecognizable deductible temporary differences		(574,000)		1,098,000
Total income tax recovery	$	-	$	-

(Expressed in Canadian dollars)

21. INCOME TAXES (cont'd…)

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

		2020		2019
Exploration and evaluation assets	$	1,632,000	$	4,124,000
Equipment		422,000		357,000
Share issue costs		85,000		135,000
Marketable securities		10,000		6,000
Other assets		1,257,000		1,150,000
Allowable capital losses		134,000		134,000
Non-capital losses available for future periods		4,274,000		2,482,000
		7,814,000		8,388,000
Unrecognizable deferred tax assets		(7,814,000)		(8,388,000)
Net deferred tax assets	$	-	$	-

No net deferred tax asset has been recognized in respect of the above for the years ended August 31, 2020 and 2019 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately $15,817,000 (2019 - $15,261,000) which may be carried forward and applied against taxable income in the future. These losses, if not utilized, will expire starting in 2026 through 2040.

22. SUBSEQUENT EVENTS

On December 11, 2019, the Company announced a shares-for-debt transaction to settle a debt of $120,000 owed to a former director with an issuance of 2.4 million shares at $0.05 per share. As of August 31, 2020, the transaction is subject to regulatory approvals, including TSX Venture Exchange approval.

On September 3, 2020, the Company entered into a debt settlement agreement with Gowling WLG (Canada) LLP to settle a debt of $25,346 plus interest and penalties for $12,500 cash payment.

On November 10, 2020, the Company signed a non-binding letter of intention with West Mining Corp. ("West") and the Company's wholly-owned subsidiary 1994854 Alberta Ltd., which contemplates a transaction under which West will have an option to earn up to a 100% undivided right, title and interest in the Kena and Daylight gold-copper properties (including the Toughnut claims). Upon signing the LOI, West paid a non-refundable $25,000 cash deposit to the Company as consideration for the 30-day exclusivity and due diligence period granted to West under the LOI.

Subsequent to the year ended August 31, 2020, 840,000 stock options with an exercise price of $0.25 expired unexercised.

Subsequent to the year ended August 31, 2020, the Company received a loan of $45,000 from an arm's length party, which is unsecured, due on demand and bears no interest.