

NEWMAC RESOURCES INC.

Condensed Interim Consolidated Financial Statements

Six months Period Ended March 31, 2020

(Unaudited - Expressed in Canadian Dollars)

(See Notice)

NOTICE TO READER

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended March 31, 2020.

Newmac Resources Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited - Expressed in Canadian Dollars)

as at

	Note	March 31, 2020	September 30, 2019
Assets			
Current			
Cash and cash equivalents		39,192	169,924
Taxes recoverable		10,233	3,446
Prepaid expenses		4,829	15,370
Inventory		27,280	3,156
Total current assets		81,534	191,896
Property and equipment	7	5,577	569
Exploration and evaluation assets	8	8,019,591	8,008,596
Reclamation bonds	9	19,000	19,000
Total assets		8,125,702	8,220,061
Liabilities and shareholders' equity			
Current			
Accounts payable and accrued liabilities	10	320,656	155,862
Due to related parties	11	235,817	315,334
Total current liabilities		556,473	471,196
Decommissioning liabilities	12	37,500	37,500
Total liabilities		593,973	508,696
Shareholders' equity			
Share capital	13	13,306,748	13,306,748
Equity reserves		2,165,081	2,165,081
Accumulated other comprehensive loss		(9,400)	6,992
Deficit		(7,930,700)	(7,767,456)
Total shareholders' equity		7,531,729	7,711,365
Total liabilities and shareholders' equity		8,125,702	8,220,061
Continuance of operations	2(c)		
Events subsequent to the reporting period	14		

On behalf of the Board:

“Han Xin (Harrison) Wu” Director “Gong (Michael) Chen” Director

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

Newmac Resources Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended		Six Months Ended	
		March 31,		March 31,	
		2020	2019	2020	2019
Income					
Sales		\$ 49	\$ -	\$ 3,422	\$ -
Cost of Sales		(29)	-	(2,025)	-
Net Income		20	-	1,397	-
Expenses					
Amortization		270	59	347	270
Insurance		-	-	1,289	1,213
Management fees	11	-	-	-	-
Office and general		(204)	1,839	35,819	2,881
Professional fees		200	-	200	1,050
Salaries and wages	11	40,451	14,809	103,120	45,800
Transfer agent and filing fees		7,931	17,383	10,964	18,768
Travel and promotion		7,914	-	13,217	-
Total Expenses		56,562	34,090	164,956	69,982
(Loss) before other items		(56,542)	(34,090)	(163,559)	(69,982)
Other income (expenses)					
Exchange gain/loss		(44)	(435)	194	769
Interest income	5 & 11(f)	43	6	121	13
Total other income/(loss)		(1)	(429)	315	782
Net (loss) for the period		\$ (56,543)	\$ (34,519)	\$ (163,244)	\$ (69,200)
Other comprehensive income/(loss):					
Currency translation adjustment		(16,045)	(356)	(16,392)	(3,678)
Comprehensive (loss) for the period		\$ (72,588)	\$ (34,875)	\$ (179,636)	\$ (72,878)
Basic and diluted (loss) per share		\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted		9,716,042	9,716,042	9,716,042	9,716,042

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

Newmac Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Equity Reserves	Share Subscription Received	Accumulated Other		Total
	No. of Shares	Amount			Comprehensive Loss	Deficit	
Balance, October 1, 2018	9,716,042	\$ 13,306,748	\$ 2,165,081	\$ -	\$ 3,629	\$ (7,568,436)	\$ 7,907,022
Net loss						(69,201)	(69,201)
Other comprehensive loss					(3,677)		(3,677)
Balance, March 31, 2019	9,716,042	\$ 13,306,748	\$ 2,165,081	\$ -	\$ (48)	\$ (7,637,637)	\$ 7,834,144
Net loss						(129,819)	(129,819)
Other comprehensive loss					7,040		7,040
Balance, September 30, 2019	9,716,042	\$ 13,306,748	\$ 2,165,081	\$ -	\$ 6,992	\$ (7,767,456)	\$ 7,711,365
Net loss						(163,244)	(163,244)
Other comprehensive loss					(16,392)		(16,392)
Balance, March 31, 2020	9,716,042	\$ 13,306,748	\$ 2,165,081	\$ -	\$ (9,400)	\$ (7,930,700)	\$ 7,531,729

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

Newmac Resources Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the period ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	2020	2019
Operating Activities		
Net loss for the period	\$ (163,244)	\$ (69,200)
Items not involving cash		
Amortization	347	270
Changes in non-cash working capital		
Taxes recoverable	(6,299)	1
Prepaid expenses	11,177	-
Inventory	(22,654)	-
Due to (from) related parties	(96,698)	50,455
Accounts payable and accrued liabilities	156,515	3,213
Cash provided by/(used in) operating activities	(120,856)	(15,261)
Investing Activities		
Exploration and evaluation assets	(10,995)	(5,664)
(Purchase)/Sale of Fixed Assets	(5,056)	-
Cash provided by/(used in) investing activities	(16,051)	(5,664)
Change in cash and cash equivalents during the period	(136,907)	(20,925)
Exchange differences on translation of foreign operations	6,175	1,446
Cash and cash equivalents, beginning of period	169,924	62,278
Cash and cash equivalents, end of period	\$ 39,192	\$ 42,799
Supplemental disclosures of cash flow information:		
Cash Paid for Interest	-	-
Cash Paid for Tax	-	-

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

NEWMAC RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Newmac Resources Inc. (the “Company” or “Newmac”) was incorporated under the laws of the province of British Columbia on August 20, 2003 and is involved in the acquisition, exploration and evaluation of mineral properties located in British Columbia, Canada. The Company is traded on the TSX Venture Exchange (“TSX-V”) under the symbol NER.

The head office and principal address are located at Suite 203, 2121 Kingsway, Vancouver, BC, Canada V5N 2T4 and the registered and records office of the Company is located at Suite 407, 1328 West Pender Street, Vancouver, BC, Canada V6E 4T1.

2. BASIS OF PREPARATION AND GOING CONCERN

a) Statement of Compliance

These unaudited condensed interim consolidated statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

The policies applied in these unaudited condensed interim consolidated financial statements are consistent with policies disclosed in Note 4 of the audited consolidated financial statements for the year ended September 30, 2019. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended September 30, 2019.

These condensed interim consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on June 1, 2020.

b) Basis of Measurement

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

These consolidated financial statements are presented in Canadian dollars.

c) Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, 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.

The Company has a working capital deficiency of \$474,939 and has incurred losses since its inception of \$7,930,700 as at March 31, 2020. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon management’s plan to raise additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

a) Mineral properties

Management has determined that exploratory drilling, exploration evaluation, and related costs incurred which have been capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, scoping studies, accessible facilities and existing permits.

Management has considered IFRS 6 in assessing whether there are any indications that the Company's exploration and evaluation assets are impaired and has determined there to be none.

b) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the consolidated statements of financial position and comprehensive loss.

c) Estimated reclamation provisions

The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

d) Going concern assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company, Newmac Resources Inc., and its subsidiaries listed below:

	Jurisdiction	Nature of Operations	Equity Interest	
			2020	2019
Newmac Molybdenum Inc.	BC, Canada	Exploration	100%	100%
Newma Technology Inc.	BC, Canada	Inactive	100%	100%
Newmac Company Limited	Hong Kong	Holding	100%	100%
Newmac (SZ) Co. Ltd.	Shenzen, China	Active	100%	100%
Newma (GZ) Technology Co. Ltd.	Guangzhou, China	Active	100%	-

For the period ended March 31, 2020, the consolidated financial statements include the accounts of Newmac Molybdenum Inc., Newma Technology Inc. (formerly, Newmac Foods Inc.), which was incorporated on May 28, 2015 under the laws of the Province of British Columbia, Newmac Company Limited which was incorporated on February 16, 2015 under the laws of Hong Kong and those of Newmac (SZ) Co. Ltd (formerly, Bonte Bebe (SZ) Co. Ltd.) which was incorporated on November 12, 2015 under the laws of Shenzen, China, and Newma (GZ) Technology Co. Ltd. which was incorporated on August 14, 2019 under the laws of Guangzhou, China.

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 and transactions have been eliminated.

Cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash without significant penalties to be cash equivalents.

Inventory

Inventory consists of dental powder held by one of the Company's subsidiaries in China. The Company values inventories at the lower of cost and net realizable value. The cost of inventories is determined using the weighted average cost basis. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write down previously recorded is reversed. Storage costs, indirect administrative overhead and certain other selling costs related to inventories are expensed in the period incurred.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currencies

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 Company. The functional currency for the Company and its subsidiaries Newmac Molybdenum Inc., Newmac Technology Inc. and Newmac Company Limited is the Canadian dollar. The functional currency for the subsidiary Newmac (SZ) Co. Ltd., and Newma (GZ) Technology Co. Ltd. is the Chinese Renminbi. The functional currency determinations were conducted through an analysis of the consideration factors identified in 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 dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the consolidated statement of financial position date are recognised in the consolidated statement of comprehensive loss.

Exploration and evaluation assets

Pre-exploration costs

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

Exploration and evaluation expenditures

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

When a project is deemed to no longer have commercially viable prospects to the Company, mineral property expenditures in respect of that project are deemed to be impaired. As a result, those mineral property expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss or income.

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

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine under construction". Mineral property assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities including the sale of mineral interests are applied as a reduction to capitalized acquisition and exploration costs.

Exploration tax credits

The Company recognizes exploration tax credit amounts when the Company's application is approved by the taxation authorities or when the amount to be received can be reasonably estimated and collection is reasonably assured. The amount of the exploration tax credits reduces the Company's capitalized exploration and evaluation assets.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Decommissioning liabilities

These provisions have been measured based on the Company's estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the higher 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 assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. 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. An impairment loss in respect of goodwill is not reversed.

Property and equipment

Property and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight line method over their estimated useful lives as follows:

Equipment	3 to 5 years
Furniture	5 years
Computer	2 to 3 years

Property and equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, is regularly assessed and written off if applicable.

Assets are measured at historical cost less accumulated amortization and impairment losses. Amortization is charged on the straight line basis over the useful lives of these assets. Residual values, amortization methods and useful economic lives are reviewed and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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 recorded using the liability method, providing for 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 are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting, nor 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 consolidated financial statements date.

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. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

Share-based payment transactions

The Company may grant stock options to acquire common shares of the Company 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.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options. Options granted to consultants or other non-employees are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be readily measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provisions

Rehabilitation Provision

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

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability-specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period which they occur.

Other Provisions

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

Earning (Loss) per share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of “in-the-money” stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting standards adopted in the current period:

Financial instruments

Effective October 1, 2018, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”). The standard was adopted on a retrospective basis and its implementation had no impact on the Company’s consolidated financial statements.

Financial Assets

Financial assets are measured at fair value on initial recognition of the instrument and classified as financial assets at fair value through profit and loss (“FVTPL”), amortized cost, or fair value through other comprehensive income (“FVTOCI”). The classification depends upon the Company’s business model for managing its financial assets and the contractual terms of the cash flows. Management determines the classification of its financial asset at initial recognition. Subsequent measurement of financial instruments is based on their classification. Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

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

Financial asset/liability	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Reclamation bonds	Loans and receivables	Amortized Cost
Accounts payable	Other financial liabilities	Amortized Cost
Due to related parties	Other financial liabilities	Amortized Cost

(i) Financial assets at fair value through profit or loss

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or FVTOCI. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. The Company may however make the irrevocable option to classify particular investments as FVTPL.

(ii) Amortized Cost

Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest. Financial assets classified at amortized cost are measured at amortized cost using the effective interest method.

(iii) Financial assets at fair value through other comprehensive income

FVTOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting standards adopted in the current period: (cont'd...)

Financial instruments (cont'd...)

Impairment on Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. The Company recognizes a loss allowance for expected credit losses on its financial assets using the simplified approach which permits the use of the lifetime expected loss provision for all amounts receivable. At each reporting date the Company assesses impairment of amounts receivable on a collective basis as its amounts receivable possess shared credit risk characteristics and have been grouped based on days past due. The loss allowance will be based upon the Company's historical credit loss experience over the expected life of trade receivables and contract assets, adjusted for forward looking estimates. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial Liabilities

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss. Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of October 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

Share-based Payments

The Company adopted all of the requirements of IFRS 2 Share-based Payments ("IFRS 2") as of October 1, 2018. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The adoption of IFRS 2 resulted in no impact to the opening accumulated deficit nor the opening balance of accumulated comprehensive loss on October 1, 2018.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting standards adopted in the current period: (cont'd...)

IFRS 16 Leases - In January 2016, the IASB issued IFRS 16 – Leases, which supersedes IAS 17 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on balance sheet while lessor accounting remains largely unchanged and retains the finance and operating lease distinctions. IFRS 16 is effective for Company's annual period beginning October 1, 2019 with earlier adoption permitted, but only if also applying IFRS 15 – Revenue from Contracts with customers. The adoption of IFRS 16 is not expected to materially affect the Company's consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments - IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after October 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The adoption of this standard is not expected to have a material effect on the Company's future results and financial position.

NEWMAC RESOURCES INC.

Notes to the Consolidated Financial Statements

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5. PROPERTY AND EQUIPMENT

	Equipment	Furniture	Computer	Leasehold Improvements	Total
Cost					
At October 1, 2018	\$ 3,720	\$ 3,514	\$ 10,746	\$ -	\$ 17,980
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange rates movements	-	-	346	-	346
At March 31, 2019	\$ 3,720	\$ 3,514	\$ 11,092	\$ -	\$ 18,326
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange rates movements	-	-	(448)	-	(448)
At September 30, 2019	\$ 3,720	\$ 3,514	\$ 10,644	\$ -	\$ 17,878
Additions	5,327	-	-	-	5,327
Disposals	-	-	-	-	-
Exchange rates movements	-	-	482	-	482
At March 31, 2020	\$ 9,047	\$ 3,514	\$ 11,126	\$ -	\$ 23,687
Accumulated amortization					
At October 1, 2018	\$ 3,720	\$ 3,259	\$ 10,130	\$ -	\$ 17,109
Additions	-	234	36	-	270
Disposals	-	-	-	-	-
Exchange rates movements	-	-	313	-	313
At March 31, 2019	\$ 3,720	\$ 3,493	\$ 10,479	\$ -	\$ 17,692
Additions	-	21	-	-	21
Disposals	-	-	-	-	-
Exchange rates movements	-	-	(404)	-	(404)
At September 30, 2019	\$ 3,720	\$ 3,514	\$ 10,075	\$ -	\$ 17,309
Additions	365	-	-	-	365
Disposals	-	-	-	-	-
Exchange rates movements	-	-	436	-	436
At March 31, 2020	\$ 4,085	\$ 3,514	\$ 10,511	\$ -	\$ 18,110
Net book value					
At October 1, 2018	\$ -	\$ 255	\$ 616	\$ -	\$ 871
At March 31, 2019	\$ -	\$ 21	\$ 613	\$ -	\$ 634
At September 30, 2019	\$ -	\$ -	\$ 569	\$ -	\$ 569
At March 31, 2020	\$ 4,962	\$ -	\$ 615	\$ -	\$ 5,577

NEWMAC RESOURCES INC.

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6. EXPLORATION AND EVALUATION ASSETS

The following mineral property acquisition and exploration costs were incurred on the Company's Crazy Fox mineral properties.

<u>For the period ended March 31, 2020</u>	March 31, 2019	September 30, 2019
	Total	Total
Acquisition costs		
Balance, October 1, 2019 and March 31, 2020	183,702	183,702
Exploration costs		
Balance, October 1, 2019	7,824,893	7,828,277
Field supplies and rentals	-	(472)
Geological and field staff	9,307	14,876
Staking	-	(528)
Travel and accommodation	1,689	-
Exploration for the period	10,996	13,876
Less:		
Mineral tax credits	-	(17,259)
Net exploration for the period	10,996	(3,383)
Total exploration costs, March 31, 2020	7,835,889	7,824,894
Total mineral property costs, March 31, 2020	8,019,591	8,008,596

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

Crazy Fox Property, British Columbia

The Company entered into an agreement on September 22, 2005 to acquire a 100% interest in the Crazy Fox Molybdenum-Tungsten Property, located 20 km northwest of Little Fort, British Columbia. The Company acquired the property by issuing 10,000 shares (issued with a fair value of \$78,250) and making payments totalling \$100,000 (paid) over a 3-year period. An additional 200,000 shares will be issued to the vendors if and when a positive feasibility study is completed. A 3% net smelter royalty ("NSR") is reserved for the vendors of which 2% may be purchased at any time for \$2,000,000 reducing the NSR to 1%.

7. RECLAMATION BONDS

The Company has posted reclamation bonds for \$19,000 (2019 - \$19,000) including \$10,000 under a safekeeping arrangement with a financial institution relating to its exploration activities in British Columbia, Canada.

NEWMAC RESOURCES INC.

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8. RELATED PARTY TRANSACTIONS AND BALANCES

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Director. Short-term key management compensation consists of the following for the periods ended March 31, 2020 and 2019:

Transactions	2020	2019
	\$	\$
Salary:		
Chief Executive Officer	-	3,000
Chief Financial Officer	13,750	15,000
	13,750	18,000

Balances	2020	2019
	\$	\$
Due to related parties:		
Director	94,708	94,188
Chief Executive Officer	40,652	15,000
Chief Financial Officer	-	6,356
Close family members of a director	13,370	13,296
Company owned by Chief Executive Officer	87,087	-
	235,817	87,222

The amounts due to related parties are unsecured, non-interest bearing and due on demand.

9. DECOMMISSIONING LIABILITIES

The Company has recorded a decommissioning provision in connection with estimated reclamation costs with respect to its Crazy Fox property. The obligation is recognized based on the future reclamation costs estimated by management. The following table presents the reconciliation of the decommissioning liabilities:

	2020	2019
	\$	\$
Balance, beginning of period	37,500	37,500
Decommissioning provisions used	-	-
Balance, end of period	37,500	37,500

The decommissioning liability for Crazy Fox property in the amount of \$37,500 was based on the assessment by management to evaluate the Company's liability to remediate and abandon its current properties. The amounts are measured at their present value. This amount has been included in the exploration and evaluation assets of the property. Currently, the Company is uncertain on the timing of settling these obligations.

10. SHAREHOLDERS' EQUITY

a. Authorized

Unlimited number of common shares without par value

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10. SHAREHOLDERS' EQUITY (cont'd...)

b. Issued and outstanding

As of March 31, 2020, the Company has 9,716,042 (2019 - 9,716,042) common shares outstanding.

c. Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2018	2,950,000	\$ 0.10
Issued	-	\$ -
Expired	(2,950,000)	\$ 0.10
Outstanding, September 30, 2019	-	\$ -
Issued	-	\$ -
Expired	-	\$ -
Outstanding, March 31, 2020	-	\$ -

There were no warrants outstanding and exercisable as at and during the periods ended March 31, 2020 and 2019.

d. Options

Effective March 30, 2012, the Company adopted a new stock option plan. In accordance with the stock option plan, the Company is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over 12 months with one quarter of the options vesting in any three-month period.

There were no stock options outstanding and exercisable as at and during the periods ended March 31, 2020 and 2019.

NEWMAC RESOURCES INC.

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10. SHAREHOLDERS' EQUITY (cont'd...)

e. Shareholder rights plan

Effective February 15, 2009, the Board of Directors approved the adoption of a shareholder rights plan (the "rights plan"), authorizing the issuance of rights in respect of common shares outstanding. The rights entitle the holders to purchase additional securities of the Company. It has a term which expires no later than the date of the annual general meeting of the shareholders of the Company to be held in 2019. The rights plan has been implemented by way of a rights plan agreement which has been designed to protect shareholders from unfair take-over strategies, including the acquisition of control of the Company by a bidder in a transaction, or series of transactions, that may not treat all shareholders fairly, nor afford all shareholders an equal opportunity to share in the premium paid upon acquisition of control. The rights plan was also adopted to provide the Board with sufficient time, in the event of a take-over bid or tender offering for voting shares of the Company, to pursue alternatives which could enhance shareholder value.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

As at March 31, 2020, the Company's financial instruments are comprised of cash, reclamation bonds, accounts payable and amounts due to related parties. The carrying values of reclamation bonds, accounts payable and amounts due to related parties approximate their fair values due to the relatively short periods to maturity or on demand nature of these financial instruments. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2020, the fair value of cash of the Company was classified as Level 1 of the fair value hierarchy and is the sole financial asset recorded at fair value on a recurring basis.

Financial risk factors

The Company has exposure various risks from its use of financial instruments. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at March 31, 2020, the Company had current assets of \$81,534 and current liabilities of \$556,473 (see Note 2(c)). All of the Company's financial liabilities are due within one year.

NEWMAC RESOURCES INC.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to maintain cash in high credit quality banking institutions and does not believe interest rate risk to be significant.

Price risk

The Company's ability to raise financing may be impacted by fluctuations in commodity prices. The Company is exposed to price risk with respect to equity prices. 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 individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign currency risk

The Company has cash of \$Nil denominated in U.S. dollars, and assets/liabilities of HK\$10,762 denominated in Hong Kong dollars and RMB 1,322,166 denominated in Chinese Renminbi. The Company otherwise has no other significant assets or liabilities in foreign currencies. Fluctuations in exchange rates among the Canadian dollar, U.S. dollar, Hong Kong dollar and Chinese Renminbi could have a significant effect on the business, results of operations and financial condition of the Company. Based on the balances as at March 31, 2020, other things being equal, a 10% increase (decrease) in the exchange rate of converting Hong Kong dollars, and Chinese Renminbi into Canadian dollars would have resulted in an increase (decrease) of approximately \$197 and \$26,470 in earnings respectively before income taxes during the period ended March 31, 2020.

COVID-19 pandemic risk

Due to the COVID-19 pandemic, some of the activities of the Company may have to be deferred until the safety of the parties involved can be secured with social distancing and other measures or when the pandemic has past.

12. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. It manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and will attempt to raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

NEWMAC RESOURCES INC.

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13. SEGMENTED INFORMATION

The Company has two geographic segments in Canada and China. The Canadian operations are involved in the acquisition and exploration of mineral properties in Canada. The China operations are involved in the design and sales of skin care products in China.

The Company's revenue and expenses are allocated to geographical segments as follows:

Newmac Resources Inc.

Segmented Information

	Six Months Ended March 31, 2020			Six Months Ended March 31, 2019		
	Canada	China	Total	Canada	China	Total
Income						
Sales	\$ -	\$ 3,422	\$ 3,422	\$ -	\$ -	\$ -
Cost of Sales	-	(2,025)	(2,025)	-	-	-
Total income	-	1,397	1,397	-	-	-
Expenses						
Amortization	-	347	347	270	-	270
Insurance	1,289	-	1,289	1,213	-	1,213
Office and general	1,976	33,843	35,819	2,726	155	2,881
Professional fees	200	-	200	1,050	-	1,050
Salaries and wages	15,283	87,837	103,120	32,616	13,184	45,800
Transfer agent and filing fees	10,964	-	10,964	18,768	-	18,768
Travel and promotion	-	13,217	13,217	-	-	-
Total expenses	29,712	135,244	164,956	56,643	13,339	69,982
(Loss) before other items	(29,712)	(133,847)	(163,559)	(56,643)	(13,339)	(69,982)
Other income (expenses)						
Exchange gain/loss	(40)	234	194	72	697	769
Interest income	32	89	121	1	12	13
Total other income/(loss)	(8)	323	315	73	709	782
Net (loss) for the period	\$ (29,720)	\$ (133,524)	\$ (163,244)	\$ (56,570)	\$ (12,630)	\$ (69,200)

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13. SEGMENTED INFORMATION (cont'd...)

The Company's assets are located in Canada and China as follows:

	As at March 31, 2020			As at March 31, 2019		
	Canada	China	Total	Canada	China	Total
Assets						
Current						
Cash and cash equivalents	1,229	37,963	39,192	6,973	35,826	42,799
Taxes recoverable	1,373	8,860	10,233	1,982	42	2,024
Prepaid expenses	-	4,829	4,829	-	1,764	1,764
Inventory	-	27,280	27,280	-	-	-
Total current assets	2,602	78,932	81,534	8,955	37,632	46,587
Property and equipment	-	5,577	5,577	22	612	634
Exploration and evaluation assets	8,019,591	-	8,019,591	8,017,643	-	8,017,643
Reclamation bonds	19,000	-	19,000	19,000	-	19,000
Total assets	8,041,193	84,509	8,125,702	8,045,620	38,244	8,083,864
Liabilities and shareholders' equity						
Current						
Accounts payable and accrued liabilities	166,684	153,972	320,656	77,433	5,947	83,380
Due to related parties	40,652	195,165	235,817	21,356	107,484	128,840
Total current liabilities	207,336	349,137	556,473	98,789	113,431	212,220
Decommissioning liabilities	37,500	-	37,500	37,500	-	37,500
Total liabilities	244,836	349,137	593,973	136,289	113,431	249,720
Shareholders' equity						
Share capital	13,306,748	-	13,306,748	13,306,748	-	13,306,748
Equity reserves	2,165,081	-	2,165,081	2,165,081	-	2,165,081
Accumulated other comprehensive loss	-	(9,400)	(9,400)	-	(48)	(48)
Deficit	(7,416,772)	(513,928)	(7,930,700)	(7,303,798)	(333,839)	(7,637,637)
Total shareholders' equity	8,055,057	(523,328)	7,531,729	8,168,031	(333,887)	7,834,144
Total liabilities and shareholders' equity	8,299,893	(174,191)	8,125,702	8,304,320	(220,456)	8,083,864

14. SUBSEQUENT EVENTS

Effective February 3rd, 2020, the TSX Venture Exchange (the "Exchange") suspended trading in the Company's securities as a result of a Cease Trade Order ("CTO") issued by the British Columbia Securities Commission. The trading of the Company's shares was resumed on May 5, 2020.