

BATHURST METALS CORP. (Formerly Pacific Cascade Minerals Inc.)
(An Exploration Stage Company)

Financial Statements
Years Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BATHURST METALS CORP. (Formerly Pacific Cascade Minerals Inc.)

Opinion

We have audited the financial statements of Bathurst Metals Corp. (the "Company"), which comprise:

- the statements of financial position as at September 30, 2020 and 2019;
- the statements of income (loss) and comprehensive income (loss) for the years then ended;
- the statements of changes in shareholders' equity (deficiency) for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that at September 30, 2020 the Company has a working capital deficit of \$155,274 and an accumulated deficit of \$9,518,451. As stated in Note 1, these events or conditions along with other matters as set forth in Note 1, indicate that a material uncertainty exists 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 the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits 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, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
January 14, 2021

BATHURST METALS CORP. (Formerly Pacific Cascade Minerals Inc.)
(An Exploration Stage Company)
Statements of Financial Position
As at September 30
(Expressed in Canadian Dollars)

	2020	2019
Assets		
Current		
Cash	\$ 11,168	\$ 87,893
Accounts receivable	7,485	1,652
Prepaid expenses	1,337	3,604
	19,990	93,149
Non-Current		
Reclamation bonds (note 6)	23,500	23,500
Mineral property interests (note 7)	167,589	-
	\$ 211,079	\$ 116,649
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 4 and 6)	\$ 69,805	\$ 201,186
Due to related parties (note 12)	144	459,613
Loans payable (note 8)	105,315	226,204
Promissory notes payable (note 9)	-	149,844
	175,264	1,036,847
Shareholders' Equity (Deficiency)		
Capital Stock (note 10)	7,763,020	7,010,416
Subscriptions Received (notes 10 and 17)	376,000	-
Share-Based Payments Reserve	1,250,821	1,250,821
Reserves	164,425	164,425
Deficit	(9,518,451)	(9,345,860)
	35,815	(920,198)
	\$ 211,079	\$ 116,649

Approved on behalf of the Board:

“Harold Forzley” _____ Director
Harold Forzley

“Sean Orr” _____ Director
Sean Orr

BATHURST METALS CORP. (Formerly Pacific Cascade Minerals Inc.)
(An Exploration Stage Company)
Statements of Income (Loss) and Comprehensive Income (Loss)
Years Ended September 30
(Expressed in Canadian Dollars)

	2020	2019
Expenses		
Accounting and audit	\$ 32,323	\$ 25,000
Filing and listing fees	14,670	12,980
Financing fees	-	4,480
General and office	8,843	446
Interest and bank charges (notes 8 and 9)	34,423	7,849
Investors relations	18,824	-
Legal	20,709	18,570
Management fees (note 12)	41,000	-
Meals and entertainment	3,254	620
Transfer agent fees	13,726	-
Travel	2,050	71
Interest income	(90)	(269)
Write-off of payable balances (note 15)	(17,141)	(631,123)
Income (Loss) Before Other Item	(172,591)	561,376
Loss on write-off of GST receivable	-	(4,847)
Net and Comprehensive Income (Loss) for Year	\$ (172,591)	\$ 556,529
Earnings (Loss) Per Share, Basic and Diluted	\$ (0.01)	\$ 0.02
Weighted Average Number of Common Shares Outstanding, Basic and Diluted (note 1)	26,900,988	26,818,240

BATHURST METALS CORP. (Formerly Pacific Cascade Minerals Inc.)
(An Exploration Stage Company)
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Capital Stock		Subscriptions Received	Share-Based Payments Reserve	Reserves	Deficit	Total
	Number of Shares (note 1)	Amount					
Balance, September 30, 2018	26,818,240	\$ 7,010,416	\$ -	\$ 1,250,821	\$ 164,425	\$ (9,902,389)	\$ (1,476,727)
Net income for the year	-	-	-	-	-	556,529	556,529
Balance, September 30, 2019	26,818,240	\$ 7,010,416	\$ -	\$ 1,250,821	\$ 164,425	\$ (9,345,860)	\$ (920,198)
Shares issued for mineral property interests (note 10(b)(i))	333,333	45,000	-	-	-	-	45,000
Share subscriptions (note 10(b)(iv))	-	-	376,000	-	-	-	376,000
Shares issued on conversion of promissory notes payable (note 10(b)(ii))	2,990,000	149,500	-	-	-	-	149,500
Shares issued for debt (note 10(b)(iii))	5,629,188	562,919	-	-	-	-	562,919
Share issue costs (note 10(b)(iii))	-	(4,815)	-	-	-	-	(4,815)
Net loss for the year	-	-	-	-	-	(172,591)	(172,591)
Balance, September 30, 2020	35,770,761	\$ 7,763,020	\$ 376,000	\$ 1,250,821	\$ 164,425	\$ (9,518,451)	\$ 35,815

BATHURST METALS CORP. (Formerly Pacific Cascade Minerals Inc.)
(An Exploration Stage Company)
Statements of Cash Flows
Years Ended September 30
(Expressed in Canadian Dollars)

	2020	2019
Operating Activities		
Net income (loss) for the year	\$ (172,591)	\$ 556,529
Items not affecting cash		
Write-off of payable balances (note 15)	(17,141)	(631,123)
Loss on write-off of GST receivable	-	4,847
Interest expense accrued on loans payable (note 8)	8,364	7,331
Interest expense accrued on promissory notes (note 9)	-	344
	(181,368)	(62,072)
Changes in non-cash working capital		
Accounts receivable	(5,833)	25,563
Prepaid expenses	3,604	(2,177)
Accounts payable and accrued liabilities	(120,392)	(6,653)
Due to related parties	(88,803)	89,042
Interest paid	(344)	-
Cash Provided by (Used in) Operating Activities	(393,136)	43,703
Investing Activity		
Acquisition of mineral property interests	(122,589)	-
Cash Used in Investing Activity	(122,589)	-
Financing Activities		
Proceeds from promissory notes payable (note 9)	271,000	149,500
Repayment of promissory note payable (note 9)	(25,000)	-
Proceeds (repayment) from loans payable (note 8)	63,000	(105,422)
Share subscriptions received	130,000	-
Cash Provided by Financing Activities	439,000	44,078
Increase (Decrease) in Cash	(76,725)	87,781
Cash, Beginning of Year	87,893	112
Cash, End of Year	\$ 11,168	\$ 87,893
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ 20,957	\$ -
Non-cash transactions during the year:		
Share issue costs in accounts payable and accrued liabilities	\$ 4,815	\$ -
Shares issued on conversion of promissory notes payable	\$ 149,500	\$ -
Shares subscription for promissory notes payable	\$ 246,000	\$ -
Shares issued for loans payable	\$ 192,253	\$ -
Shares issued for related party loans	\$ 370,666	\$ -

BATHURST METALS CORP. (Formerly Pacific Cascade Minerals Inc.)
(An Exploration Stage Company)
Notes to Financial Statements
Years Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Bathurst Metals Corp. (formerly Pacific Cascade Minerals Inc.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on January 24, 2006. The Company changed its name from Pacific Cascade Minerals Inc. to Bathurst Metals Corp. on August 12, 2020 and commenced trading on August 14, 2020 under the stock symbol "BMV". The Company is involved in the acquisition, exploration and development of mineral properties located in Nunavut, Canada. The Company's registered office is located at 665 Dougall Road, Gibsons, British Columbia, V0N 1V8. The Company's shares trade on the NEX board of the TSX Venture Exchange ("TSXV").

On August 12, 2020, the Company completed the consolidation of the common shares in the capital of the Company at a ratio of 3 pre-consolidation common shares for 1 post-consolidation common share (the "consolidated shares"). The share consolidation reduced the number of the Company's outstanding common shares at August 14, 2020 from 81,454,719 common shares to 27,151,573 common shares. As a result of the share consolidation, all information involving the Company's share capital, outstanding stock options and warrants and related exercise prices are post-consolidation amounts.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Several adverse conditions may cast significant doubt on the validity of this assumption. The Company reported a net loss of \$172,591 for the year ended September 30, 2020 (2019 – net income of \$556,529 due significantly to the write-off of certain payables of \$631,123), and as at September 30, 2020 has a working capital deficit of \$155,274 (2019 - \$943,698) and an accumulated deficit of \$9,518,451 (2019 - \$9,345,860), and has no source of revenue or operating cash flow.

The Company's ability to continue as a going concern is dependent on the Company being able to obtain the necessary financing to meet administrative overheads and to complete the acquisition, exploration and development of its mineral property interests into profitable mining operations.

The Company has relied mainly upon the issuance of capital stock and loan arrangements to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of capital stock to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

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

Since January 2020, the gradual outbreak of the novel strain of the coronavirus, COVID-19 and its eventual declaration as a pandemic by the World Health Organization, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. This may impact the Company's ability to obtain additional financing to support exploration activities.

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2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors and authorized for issue on January 14, 2021.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting, except cash flow information.

(c) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

(d) Critical accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Actual results could differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these financial statements and other major sources of measurement uncertainty are discussed in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of these financial statements.

(a) Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred resource property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Mineral property interests (Continued)

estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, any amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received.

(b) Provisions for decommissioning and restoration liabilities

The Company recognizes an estimate of the liability associated with a decommissioning and restoration obligation in the financial statements at the time the liability is incurred. The estimated fair value of the decommissioning and restoration obligation is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The decommissioning and restoration obligation can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the decommissioning and restoration obligation are charged against the decommissioning and restoration obligation to the extent of the liability recorded.

(c) Equity units

Proceeds from the issue of units are allocated between common shares and share purchase warrants on a residual value basis, wherein the proceeds are firstly allocated to common shares based on the trading price on the date of issue of the units and the balance, if any, allocated to the attached share purchase warrants.

(d) Share-based payments

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

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

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Share-based payments (Continued)

of shares. Amounts related to the issuance of shares are recorded as a reduction of capital stock.

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

All equity-settled share-based payments are reflected in share-based payments reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credited to capital stock along with any consideration paid.

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

(e) Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially enacted. The amount of deferred income tax assets is limited to the amount of the benefit that is probable of being realized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the statement of financial position date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenue and expenses (excluding depreciation, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included profit or loss.

(h) Financial instruments

Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statements of financial position at fair value with changes in fair value therein, recognized in profit or loss.

The Company classifies cash as fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method.

There are no financial assets classified as measured at amortized cost.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

A financial asset measured at fair value through other comprehensive income is carried in the statement of financial position with changes in fair value in other comprehensive income.

There are no financial assets classified as measured at FVTOCI.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

The Company's financial liabilities included accounts payable and accrued liabilities, loans payable, and balances due to related parties. These are measured at amortized cost.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debt in Canadian dollars that can be converted to units at the option of the holder, when the number of units to be issued is fixed and does not vary with changes in fair value. A unit comprises of one common share and one non-transferrable share purchase warrant.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have a conversion option. The conversion component is initially recognized at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and conversion components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash, accounts payable and accrued liabilities, loans payable, and balances due to related parties. Their carrying values approximate the fair values due to short-term maturity of these instruments.

(i) Adoption of new accounting standards

IFRS 16 Leases

Effective October 1, 2019, the Company adopted IFRS 16 *Leases* ("IFRS 16") using the modified retrospective approach. The comparative figures for the 2019 reporting period have not been restated and are accounted for under IAS 17 *Leases*, ("IAS 17") and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard. IFRS 16 requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17, *Leases*. The adoption of IFRS 16 *Leases* did not have an impact on the Company's financial statements as the Company does not have any lease agreements.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments

The Company has made the following critical judgments, apart from those involving estimations, in the process of applying its accounting policies that have the most significant effect on the amounts recognized in the financial statements:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. See note 1 for more information.

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4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments (Continued)

Impairment of mineral property interests

The Company's mineral property interests represents acquisition costs and exploration expenditures relating to the Company's mineral properties. At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, which is the greater of the asset's value in use and fair value less costs to sell. The Company considers both external and internal sources of information in assessing whether there are any indications that the Company's mineral property interests are impaired.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that may have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Provision for decommissioning

An obligation to incur future reclamation, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. As at September 30, 2020 and 2019, management has determined that the Company has obligation for decommissioning of \$20,000 included in accounts payable and accrued liabilities.

Convertible promissory notes payable

The convertible promissory notes payable with a maturity date of more than one year are separated into their liability and equity components on the statements of financial position. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon non-convertible promissory notes payable issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible promissory notes payable with similar terms at the time of issue.

Income taxes

In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Share-based payments

Assumptions are used in determining share-based payments. The fair value of stock options and warrants are subject to the limitation of the Black-Scholes option pricing model that requires market data and estimates used by the Company in the assumptions. These inputs are subjective assumptions and changes in these inputs can materially affect the fair value estimated.

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5. RISK MANAGEMENT

The Company's risk exposures are summarized below.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As the majority of the Company's loans payable have fixed interest rates (notes 8 and 9), the Company's sensitivity analysis indicates that exposure to interest rate risk is minimal.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk on its financial instruments.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk exists with respect to the Company's cash of \$11,168 (2019 - \$87,893), and the Company's reclamation bonds and deposit of \$23,500 (2019 - \$23,500), which are held at a single major Canadian financial institution.

Credit risk is minimized by ensuring that these financial assets are placed with a major Canadian financial institution with strong investment-grade rating by a primary ratings agency.

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5. RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at September 30, 2020, the Company has cash of \$11,168 (2019 - \$87,893) available to settle current liabilities of \$175,264 (2019 - \$1,036,847).

The Company's accounts payable and amounts due to related parties are due in the short term (0 to 3 months). The Company's loans payable are due on demand.

As at September 30, 2020, there is an insufficient cash balance to meet obligations. The Company will be required to raise additional capital in order to fund its operations and liabilities as they come due.

6. RECLAMATION BONDS

Pursuant to government regulations, and as a condition of undertaking mineral property exploration activities, the Company is obligated to provide specified amounts of security ("reclamation bonds") against potential future rehabilitation costs for the Crack Moly mineral property that had been previously written off as impaired.

The Company has pledged two guaranteed investment certificates as reclamation bonds with the following terms:

2020	Interest Rate	Maturity Date	Amount
Bank of Montreal	Prime less 2.7%	January 12, 2021	\$ 20,000 ¹
Bank of Montreal	0.3%	July 8, 2021	3,500
			\$ 23,500

¹ The Company estimated that the undiscounted value of its site restoration obligation for Crack Moly minerals property amounts to \$20,000 and has recognized a decommissioning liability in accounts payable and accrued liabilities. As it is uncertain when reclamation activities are to occur, a discount rate has not been applied to correspond with the impact of the passage of time.

7. MINERAL PROPERTY INTERESTS

(a) Turner Lake Project, Nunavut, Canada

On September 11, 2018, the Company entered into an agreement with Canadian Palladium Resources Inc. (formerly Declan Cobalt Inc.) (the "Vendor") to purchase a 100% interest in the Turner Lake Project (the "Property") located in Nunavut.

The Property consists of 2 claims. Under the terms of the agreement, the Company agrees to purchase a 100% right title and interest in the Property in exchange for 1,000,000 common shares (issued on July 28, 2020 at a fair market value of \$45,000, 333,333 common shares, post consolidation) (note 10(c)(i)) of the Company to be delivered to the Vendor within 10 days after the Company receives regulatory approval (the "Completion Date"). During the 2020 fiscal year, the Company reimbursed the Vendor for expenses on exploration, evaluation and development activities totaling \$46,721 (paid).

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7. MINERAL PROPERTY INTERESTS (Continued)

(a) Turner Lake Project, Nunavut, Canada (Continued)

There is a 1% net smelter return ("NSR") reserved by the original property owners which may be purchased for \$1,000,000 at any time after commercial production.

The Company incurred the following development and exploration expenditures:

	Turner Lake Project
Acquisition costs	
Balance, September 30, 2018 and 2019	\$ -
Option Costs	46,721
Share Issuance	45,000
Transaction Costs	2,675
Balance, September 30, 2020	\$ 94,396
Exploration costs	
Balance, September 30, 2018 and 2019	\$ -
Claim Extension Fee	10,106
Staking	28,308
Transportation	34,779
Balance, September 30, 2020	\$ 73,193
Mineral Property Interests:	
September 30, 2019	\$ -
September 30, 2020	\$ 167,589

(b) Environmental

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company currently has an obligation on a property (note 6) related to the Crack Moly mineral property.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

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7. MINERAL PROPERTY INTERESTS (Continued)

(c) Title to mineral property interests

Although the Company has taken steps to ensure the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior arrangements or transfers and title may be affected by undetected defects.

(d) Realization of assets

Realization of the Company's investment in mineral property interests is dependent upon the establishment of legal ownership, the attainment of successful production from the mineral property interests or from the proceeds of disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are allowed to lapse.

8. LOANS PAYABLE

	2020	2019
Balance, beginning of the year	\$ 226,204	\$ 218,873
Interest accrued for the year	8,364	7,331
Advances	63,000	-
Shares for debt (note 10(c)(iii))	(192,253)	-
Balance, end of year	\$ 105,315	\$ 226,204

September 30, 2020	Principal	Accrued Interest	Total
Loan Payable 1 – interest at 8%	\$ 100,000	\$ -	\$ 100,000
Loan Payable 2 – interest at 10%	2,625	1,378	4,003
Loan Payable – no interest	1,312	-	1,312
	\$ 103,937	\$ 1,378	\$ 105,315

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8. LOANS PAYABLE (Continued)

September 30, 2019	Principal	Accrued Interest	Total
Loan Payable 1 – interest at 8%	\$ 100,000	\$ 81,986	\$ 181,986
Loan Payable 2 – interest at 10%	2,625	1,015	3,640
Loans Payable – no interest	40,578	-	40,578
	\$ 143,203	\$ 83,001	\$ 226,204

- a) Loan Payable 1 – On November 12, 2012, the Company entered into a loan agreement with an arm's length party with interest rate at 25% per annum, and a maturity date of January 13, 2013. As amended in 2015, the interest rate has been reduced to 8% per annum. The loan is due on demand. During the year ended September 30, 2020, interest amounting to \$94,986 was settled with the issuance of 949,863 common shares of the Company. Subsequent to September 30, 2020, the total outstanding principal of \$100,000 has been repaid.
- b) Loan Payable 2 – The Company entered into a loan agreement with an arm's length party on May 2, 2016 with a maturity date of May 2, 2017 and interest rate at 10% per annum payable quarterly. Any unpaid amount including interest accrued after the maturity date would be subject to interest at 10% per annum.
- c) The remainder of the loans payable are now due on demand with no interest terms.

Loan payables are not secured against any assets of the Company.

During the year ended September 30, 2020, the Company received loan advances of \$63,000 (2019 - \$nil) and settled loans payable of \$97,267 with the issuance of 972,668 common shares of the Company.

9. PROMISSORY NOTES PAYABLE

On September 19, 2019, the Company completed a financing by issuing unsecured convertible promissory notes ("Notes") in the aggregate amount of \$149,500. The Notes have a term of one year bearing interest at the rate of 7% per annum, convertible into units with a conversion price of \$0.05. Each unit consists of one common share and one non-transferable common share purchase warrants with each warrant entitling the holder to acquire an additional common share for a period of 2 years for a price of \$0.05 per share. As at September 30, 2020, accrued interest of \$10,781 (2019 - \$344) has been accrued of which \$10,781 (2019 - \$nil) has been paid during the year ended September 30, 2020. The fair value of the Notes was allocated entirely to the liability component.

Included in the promissory note balance outstanding at September 30, 2019, \$9,000 is payable to a director of the Company.

On September 30, 2020, these Notes were converted into 2,990,000 common shares at a price of \$0.05 per share and 2,990,000 warrants with an exercise price of \$0.05 per share with an expiry of 2 years from the date of issuance (note 10(c)(ii)) were issued.

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9. PROMISSORY NOTES PAYABLE (Continued)

Reconciliation of the promissory notes payable is as follows:

	Principal	Accrued Interest	Total
Balance at September 30, 2018	\$ -	\$ -	\$ -
2019 Promissory notes issued– interest at 7%	149,500	344	149,844
Balance at September 30, 2019	149,500	344	149,844
Accrued interest on 2019 Promissory notes	-	10,437	10,437
Conversion to shares	(149,500)	-	(149,500)
2020 Promissory notes issued– interest at 7%	225,000	7,876	232,876
Promissory note – fixed fee at \$2,300	46,000	2,300	48,300
Repayment during the year	(25,000)	(20,957)	(45,957)
Shares subscribed	(246,000)	-	(246,000)
Balance at September 30, 2020	\$ -	\$ -	\$ -

During the year ended September 30, 2020, the promissory notes payable of \$246,000 have been applied to subscriptions received for the Company's private placement which closed subsequent to year end (note 17).

10. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value.

Unlimited number of Class A cumulative shares with a par value of \$1 per share and with special rights and restrictions.

Unlimited number of Class B non-cumulative shares with a par value of \$5 per share and with special rights and restrictions.

(b) Issued

i) Shares issued for mineral property interests

On July 28, 2020, the Company issued 1,000,000 common shares (post-consolidation 333,333 common shares) Canadian Palladium Resources Inc. with a fair market value of \$45,000 (note 7).

ii) Shares issued on conversion of promissory notes payable

On September 30, 2020, the Company issued 2,990,000 common shares at a price of \$0.05 per shares for \$149,500 to extinguish the outstanding promissory notes payable. The Company also issued 2,990,000 warrants to the holders with an exercise price of \$0.05 exercisable for a period of 2 years from the date of issuance (note 9).

iii) Shares issued for debt

On September 30, 2020, the Company issued 5,629,188 common shares at a fair value of \$0.10 per share to settle debt of \$562,919. The settlement includes 3,706,657 common shares issued to directors of the Company to settle \$370,666 of amounts due to related parties. The remainder of 1,922,531 common shares were issued to settle loans payable of \$192,253 (note 8). Share issuance cost of \$4,815 was recorded.

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10. CAPITAL STOCK (Continued)

(b) Issued (Continued)

iv) Subscriptions received

During the year ended September 30, 2020, the Company received \$376,000 in subscriptions receivable. Subsequent to the year ended September 30, 2020, the common shares in connection with the subscriptions received were issued (note 17).

11. STOCK OPTION PLAN

The Company adopted a stock option plan on April 20, 2012 (the "2012 Plan"). The 2012 Plan provides that the aggregate number of securities reserved for issuance, set aside and made available for issuance, may not exceed 10% of the issued and outstanding shares of the Company at the time of granting of options including all options granted by the Company to date.

The option price under each option is subject to a minimum of \$0.10 per share and shall not be less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than ten years after the grant date. Options granted to consultants engaged in investor relations activities shall vest in stages over a minimum period of twelve months with no more than 25% of the options vesting in any three-month period. All other options granted shall vest immediately.

As at September 30, 2020, the Company had the following share purchase options outstanding and exercisable:

Expiry Date	Exercise Price	Options Outstanding	Average Fair Value at Grant Date	Remaining Contractual Life	Options Exercisable
March 3, 2021	\$ 0.30	608,333	\$ 0.21	0.42	608,333
September 30, 2021	\$ 0.30	225,000	\$ 0.27	1.00	225,000
		833,333		0.58	833,333

As at September 30, 2019, the Company had the following share purchase options outstanding and exercisable:

Expiry Date	Exercise Price	Options Outstanding	Average Fair Value at Grant Date	Remaining Contractual Life	Options Exercisable
March 3, 2021	\$ 0.30	608,333	\$ 0.21	1.42	608,333
September 30, 2021	\$ 0.30	225,000	\$ 0.27	2.00	225,000
		833,333		1.58	833,333

There were no options granted or exercised during the years ended September 30, 2020 and 2019.

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12. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed in the financial statements, are as follows:

(a) *Key management compensation*

Management fees accrued and paid during 2020 totaled \$41,000 (2019 - \$nil). \$36,000 were paid to an officer of the Company and \$5,000 was paid to a Company controlled by an officer of the Company. At September 30, 2020, \$Nil of management fees were accrued (2019 - \$63,000).

The Company has no termination benefits, post-employment benefits and other long-term employee benefits.

(b) Due to related parties

Due to related parties consist of advances, accrued management fees and expenses paid by directors and officers of the Company. As at September 30, 2020, the amount totaled \$144 (2019 - \$459,613). During the year ended September 30, 2020, the Company wrote off \$Nil (2019 - \$42,000) of management fees and \$Nil (2019 - \$43,860). The Company also extinguished debt of \$370,666 to directors of the Company by issuing 3,706,657 common shares. In addition, expenses of \$11,993 (2019 - \$3,620) were paid by a director and an officer on behalf of the Company. The balance due to related parties are due on demand with no interest terms.

13. CAPITAL DISCLOSURE

The Company does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock and loan arrangements.

Capital requirements are driven by the Company's exploration activities on its mineral property interests and administrative overhead. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company strictly monitors actual expenses to budget on all exploration projects and overhead to ensure costs are controlled, commitments are met and exploration activities are completed.

The Company considers its capital under management to be its capital stock, loans payable and promissory notes payable, and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

14. OPERATING SEGMENTS

The Company has one industry segment, the exploration and development of mineral property interests. During the year ended September 30, 2020, the Company operated in one geographic segment in Canada.

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15. WRITE-OFF OF PAYABLE BALANCES

During the years ended September 30, 2020 and 2019, the Company wrote off the following balances as these amounts were no longer considered payable:

	2020	2019
Accounts payable and accrued liabilities	\$ 17,141	\$ 542,263
Loans payable	-	3,000
Due to related parties	-	85,860
	\$ 17,141	\$ 631,123

16. INCOME TAXES

The reconciliation of income tax provision computed at the statutory rate of 27.0% (2019 - 27.0%) to the reported income tax provision for the years ended September 30 are as follow:

	2020	2019
Net income (loss) for year	\$ (172,591)	\$ 556,529
Statutory income tax rate	27.0%	27.0%
Expected income tax (recovery)	(46,600)	150,263
Items not deductible for tax purposes	439	84
Temporary timing differences	(46,549)	-
Effect of change in tax rates	-	(21,731)
Under(over) provided in prior years	28,986	-
Tax losses and tax assets (recognized) not recognized	63,724	(128,616)
	\$ -	\$ -

The Company has capital losses of approximately \$354,000 to be carried forward indefinitely, and non-capital losses of approximately \$3,118,000 available to be carried forward to apply against future income for Canadian tax purposes. The non-capital losses expire as follows:

2028	\$ 436,246
2029	386,759
2030	383,251
2031	457,479
2032	565,870
2033	273,406
2034	256,406
2035	136,230
2036	17,981
2037	18,219
2038	14,797
2040	171,927
	\$ 3,118,571

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16. INCOME TAXES (Continued)

The potential benefit of these loss carry-forwards has not been recorded in these financial statements.

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying value of the statement of financial position items and their corresponding tax values, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are probable of being realized.

The Company's deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2020	2019
Tax value over book value of mineral property interests	\$ 4,665,605	\$ 4,498,016
Property, plant and equipment	4,881	4,881
Share issue costs	3,852	-
Cumulative eligible capital	577	577
Capital loss carry-forward	177,045	177,045
Non-capital loss carry-forwards	3,118,571	3,054,110
Non-refundable income tax credits	401,085	401,085
	\$ 8,371,616	\$ 8,135,714

17. SUBSEQUENT EVENTS

a) Financing

Subsequent to the year ended September 30, 2020, the Company completed the following financings:

- Financing of 8,210,000 units at \$0.10 per unit for gross proceeds of \$821,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant is exercisable for one common share for \$0.18 with an expiry of one year from the date of issuance. The Company paid finders' fee of \$30,450 for the offering.
- Financing of 888,888 flow-through common shares at \$0.18 per common share for gross proceeds of \$160,000.

b) Stock option grant

The Company cancelled 833,33 stock options with an exercise price of \$0.30 and granted stock options of 4,350,000 to directors, management, consultants and contractors with an exercise price of \$0.125 per share for a period of 10 years, which were fully vested on issuance.