



**Condensed Consolidated Financial Statements
For the six months ended January 31, 2021 and 2020**

(Expressed in Canadian Dollars)

NUBIAN RESOURCES LTD.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	January 31, 2021	As at July 31, 2020
ASSETS		
Current		
Cash	\$ 3,768,581	\$ 1,275,232
Taxes receivable	39,727	23,577
Assets held for sale (Note 7)	243,859	258,649
Prepaid expenses	16,364	27,943
Total Current Assets	4,068,531	1,585,401
Non Current Assets		
Deposits	75,368	-
Equipment (Note 4)	4,983	550
Exploration and evaluation assets (Note 5)	7,313,674	895,585
Exploration asset advances	-	139,357
Total Assets	\$ 11,462,556	\$ 2,620,893
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 332,891	\$ 349,844
Deposit on assets held for sale (Note 5a)	12,800	-
Total Current Liabilities	345,691	349,844
Long Term Liabilities		
Promissory note (Note 5c)	734,100	-
Total Liabilities	\$ 1,079,791	\$ 349,844
EQUITY		
Share capital (Note 9)	25,190,760	17,956,538
Share-based compensation reserve	3,586,339	2,678,829
Deficit	(19,749,994)	(18,364,318)
Other comprehensive income	57,047	-
Non-controlling interests	1,298,613	-
Total Equity	10,382,765	2,271,049
Total Liabilities and Equity	\$ 11,462,556	\$ 2,620,893

Going Concern (Note 1)

Discontinued Operations (Note 6)

Approved and authorized for issue on behalf of the Board of Directors on March 31, 2021 by:

<u>"Markus Janser"</u> Director	<u>"Martin Walter"</u> Director
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The accompanying notes are an integral part of these consolidated financial statements.

NUBIAN RESOURCES LTD.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Three Months Ended January 31		Six months ended January 31	
	2021	2020	2021	2020
Expenses				
Amortization	\$ 722	\$ 45	\$ 1,499	\$ 90
Bank charges	731	204	1,828	314
Employee Benefits	-	1,737	1,195	3,525
Filing fees	31,851	5,265	70,142	5,646
Foreign exchange	-	-	-	308
Interest on related party debt	-	625	-	1,250
Interest on long term debt	-	212	318	318
Insurance	3,155	-	7,910	-
Investor relations and promotion	33,325	3,800	75,213	3,800
Management and director fees	100,000	4,500	185,500	9,000
Office	24,491	(1,500)	30,552	3,000
Professional fees	45,213	17,714	49,369	17,714
Property investigation costs	8,122	-	8,122	-
Rent and utilities	4,693	9,329	13,270	13,631
Share-based compensation (Note 8d)	929,850	-	929,850	96,000
Telecommunications	107	-	1,531	619
Travel and accommodation	10	-	2,752	-
Write-off of exploration and evaluation assets	-	-	6,943	-
Net loss	(1,183,070)	(41,931)	(1,385,676)	(155,215)
Comprehensive Income				
Currency translation gain on Australian operations	57,047	-	57,047	-
Net Loss And Comprehensive Loss For The Period	\$ (1,126,023)	\$ (41,931)	\$ (1,328,629)	\$ (155,215)
Net Loss, Per Share, Basic and Diluted	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Comprehensive Loss, Per Share, Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Net Loss and Comprehensive Loss, Per Common Share, Basic and Diluted	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted Average Number of Shares Outstanding	59,366,163	30,290,924	55,201,048	30,290,924

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

NUBIAN RESOURCES LTD.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of common shares	Share capital	Share-based compensation reserve	Accumulated deficit	Accumulated other comprehensive income	Non- controlling interests	Total equity
Balance, August 1, 2019	30,290,924	\$ 15,922,584	\$ 2,143,292	\$ (17,204,663)	\$ -	\$ -	\$ 861,213
Share-based payments	-	-	96,000	-	-	-	96,000
Net loss for the six months to January 31, 2020	-	-	-	(155,215)	-	-	(155,215)
Balance, January 31, 2020	30,290,924	15,922,584	2,239,292	(17,359,878)	-	-	801,998
Share-based payments	-	-	591,000	-	-	-	591,000
Private placements (Note 10)	11,763,542	1,764,531	-	-	-	-	1,764,531
Shares issued on exercise of warrants	24,000	8,822	(2,822)	-	-	-	6,000
Shares issued on exercise of options	840,000	395,815	(206,815)	-	-	-	189,000
Share issuance costs	-	(135,214)	58,174	-	-	-	(77,040)
Net loss for remaining two quarters	-	-	-	(1,004,440)	-	-	(1,004,440)
Balance July 31, 2020	42,918,466	17,956,538	2,678,829	(18,364,318)	-	-	2,271,049
Share-based payments	-	-	929,850	-	-	-	929,850
Private placements (Note 10)	10,000,000	4,200,000	-	-	-	-	4,200,000
Shares issued on exercise of warrants	722,366	150,938	-	-	-	-	150,938
Shares issued on exercise of options	235,000	50,840	(22,340)	-	-	-	28,500
Issued on acquisition of 60% of Yandoit Project	4,361,760	671,440	-	-	-	1,298,613	1,970,053
Issued on acquisition of Stavely Projects	5,050,000	2,314,800	-	-	-	-	2,314,800
Finder's fees on acquisitions	460,165	121,026	-	-	-	-	121,026
Share issuance costs related to private placements	-	(274,822)	-	-	-	-	(274,822)
Comprehensive income for the period	-	-	-	-	57,047	-	57,047
Net loss for the period	-	-	-	(1,385,676)	-	-	(1,385,676)
Balance, January 31, 2021	63,747,757	\$ 25,190,760	\$ 3,586,339	\$ (19,749,994)	\$ 57,047	\$ 1,298,613	\$10,382,765

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

NUBIAN RESOURCES LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Six Months Ended January 31,	
	2021	2020
Cash Provided By (Used In)		
Operating Activities		
Net loss from continuing operations	\$ (1,385,676)	\$ (155,215)
Items not affecting cash:		
Amortization	1,499	90
Accrued interest on unsecured promissory notes	-	1,250
Share-based compensation	929,850	96,000
Changes in non-cash operating assets and liabilities:		
Taxes receivable	(16,150)	(5,071)
Prepaid expenses	11,579	-
Accounts payable and accrued liabilities	(16,953)	34,799
Cash Used In Operating Activities	(475,851)	(28,147)
Investing Activities		
Acquisition of Yandoit Project, net of 40% non-controlling interest	(492,392)	-
Acquisition of Stavely Projects	(288,436)	-
Final payment on Esquilache	(350,000)	-
Net acquisition of mineral properties	(1,130,828)	-
Additions to equipment	(5,932)	-
Exploration and evaluation assets costs incurred	(222,650)	(49,696)
Exploration asset advances	139,357	-
Cash Used In Investing Activities	(1,220,053)	(49,696)
Financing Activities		
Repayment on loan payable	-	(5,681)
Proceeds from assets held for sale	28,800	-
Expenses incurred on assets held for sale	(1,210)	-
Proceeds from options exercised	28,500	-
Proceeds from warrants exercised	150,938	-
Proceeds from private placements, gross	4,200,000	-
Share issuance costs related to private placements	(274,822)	-
Cash Provided By Financing Activities	4,132,206	(5,681)
Effect of exchange rate changes on cash	57,047	-
Increase (Decrease) In Cash	2,493,349	(83,524)
Cash, Beginning Of Year	1,275,232	88,121
Cash, End Of Period	\$ 3,768,581	\$ 4,597
Disclosure Of Supplementary Cash Flow And Non-Cash Investing and Financing Information		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 1,568
Shares issued for mineral properties, including finders' fees	\$ 3,134,266	\$ -

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

NUBIAN RESOURCES LTD.

Notes to the Consolidated Financial Statements **For the six months ended January 31, 2021 and 2020** **(Expressed in Canadian dollars)**

1. NATURE OF OPERATIONS AND GOING CONCERN

Nubian Resources Ltd. (the “Company” or “Nubian”) is listed on the TSX Venture Exchange (the “TSX-V”) under the symbol “NBR”. The principal business is the exploration of mineral properties and it is considered to be an exploration company. The Company was incorporated on October 28, 2004 pursuant to the Business Corporations Act (British Columbia). On May 2, 2007, the Company became a public company listed on the TSX-V. The Company’s principal place of business is located at Suite 202, Yale Court Plaza, 2526 Yale Court, Abbotsford, British Columbia, V2S 8G9.

The Company’s principal business activity is the exploration and evaluation of mineral properties located in the Australia, Peru and the United States.

The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties, and to establish future profitable production. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. As at January 31, 2021, the Company had net loss of \$1,385,676 during the period and an accumulated deficit of (\$19,749,994). The Company’s operations are funded from equity financing which is dependent upon many external factors and may be difficult or impossible to secure or raise when required. The Company may not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and therefore may require additional funding, which if not raised, may result in the delay, postponement or curtailment of some of its activities. These factors may cast significant doubt about the Company’s ability to continue as a going concern. Management continues to evaluate the need for additional financing and is of the opinion that additional financing will be available to continue its planned activities in the normal course. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities.

Accordingly, these consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements. Such adjustments could be material.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Reporting Interpretations Committee (“IFRIC”). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the years presented herein.

NUBIAN RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the six months ended January 31, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

b) Basis of Preparation

These consolidated financial statements have been prepared using the historical cost convention except for financial instruments which have been measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

c) Foreign Currencies

i) *Presentation and functional currency*

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

ii) *Foreign currency transactions*

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses arising from translation to the Company's presentation currency are recorded as foreign exchange loss (gain), which is included in profit or loss.

d) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Critical accounting estimates

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

NUBIAN RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the six months ended January 31, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Critical accounting estimates (Continued)

Impairment of assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of exploration and evaluation assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Useful life of equipment

Equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property and equipment at January 31, 2021 was \$4,983 (2020 - \$550).

Share-based compensation

The fair value of share-based payments and warrants is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Critical judgments used in applying accounting policies

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated 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 expenses, meets 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.

NUBIAN RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the six months ended January 31, 2021 and 2020
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Critical accounting estimates (Continued)

Assets held for sale and discontinued operations

The Company must report its assets held for sale at the lower of their carrying amount and fair value less costs to sell. This involves management judgment and requires the Company to perform continuous evaluations of it. Management has classified the assets held for sale as a current asset at July 31, 2020 because it expects to realize the asset within the next year. Any change in the assumptions used could impact the carrying value of the asset held for sale on the consolidated statement of financial position with a corresponding impact made to the consolidated statement of operations and comprehensive loss.

Judgment is applied in determining whether disposal groups represent a component of the entity, the results of which should be recorded as discontinued operations in the consolidated statements of operations and comprehensive loss.

Exploration and evaluation assets

In estimating the recoverability of capitalized exploration and evaluation assets, management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties. Once technical feasibility and commercial viability of property can be demonstrated, it is reclassified from exploration and evaluation assets to property and equipment, and subject to different accounting treatment. As at January 31, 2021 and July 31, 2020, management deemed that no reclassification of exploration and evaluation assets was required.

Income tax

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The Company's deferred tax assets have not been recorded in these consolidated financial statements, as the Company's future profitability has been judged to be not more likely than not. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Nubian Resources (USA) Ltd., incorporated in Delaware, USA in September 2011 and operating in Nevada and New Mexico, and Nubian Resources Peru S.A.C. and Blackwood Prospecting Pty Ltd. a subsidiary operating in Victoria and Tasmania, Australia. A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

NUBIAN RESOURCES LTD.
Notes to the Consolidated Financial Statements
For the six months ended January 31, 2021 and 2020
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial Instruments

The following is the Company's accounting policy for financial instruments under IFRS 9 *Financial Instruments* ("IFRS 9"):

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL. The following table shows the classification under IFRS 9:

<u>Financial assets/liabilities</u>	<u>Classification IFRS 9</u>
Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost
Unsecured promissory notes	Amortized cost

ii) Measurement

Financial assets and liabilities at amortized cost.

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

Financial assets and liabilities at FVTPL

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

NUBIAN RESOURCES LTD.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial Instruments (Continued)

iii) Impairment of financial assets at amortized cost

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

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations.

c) Equipment

Equipment is recorded at cost and amortized over its estimated useful life. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of operations and comprehensive loss during the financial period in which they are incurred.

Amortization methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate. Equipment is recorded at cost less accumulated amortization. Amortization is recorded when equipment is available for use, over the estimated useful life using the following methods and rates:

Classification	Method	Rate
Office equipment	Declining balance	20% to 45%

NUBIAN RESOURCES LTD.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Exploration and Evaluation Assets

The Company capitalizes all acquisition costs and direct exploration expenditures on mineral properties in which it has a continuing interest. On abandonment or sale of any property, accumulated capitalized amounts are charged to operations net of proceed. Following commencement of commercial production, capitalized costs will be amortized over the estimated useful life of the mineral reserve using the units of production method. Property investigation costs, where a property interest is not acquired, are expensed as incurred. Incidental revenues received while the properties are in the exploration stage are credited to the carrying value of the mineral properties. Cost recoveries are credited against specific property costs, as received.

Property acquisition costs include cash costs and the fair market value of issued shares, paid under option or joint interest agreements. Payment terms are at the sole discretion of the Company and are recorded as acquisition costs upon payment.

Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values. Capitalized costs are subject to measurement uncertainty and it is reasonably possible a change in future conditions could require a material change in recorded amounts.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of permits and the potential for problems arising from government conveyance accuracy, prior unregistered agreements or transfers, native land claims, confirmation of physical boundaries, and title may be affected by undetected defects. The Company does not carry title insurance.

The Company has evaluated title to all of its mineral properties and believes, to the best of its knowledge, that evidence of title is adequate and acceptable given the current stage of exploration.

Management's capitalization of exploration costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated metal prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of amounts recorded for capitalization of exploration and evaluation assets.

e) Assets Held for Sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use or abandonment. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NUBIAN RESOURCES LTD.

Notes to the Consolidated Financial Statements **For the six months ended January 31, 2021 and 2020** **(Expressed in Canadian dollars)**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Impairment of Non-Financial Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that the assets may be impaired. If such indication exists, the recoverable amount of the identified asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

g) General Provisions

A provision is a liability of uncertain timing or amount of a future expenditure when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The present value of expected future cash outflows is recognized as a liability and the increase to the liability due to the passage of time is recorded as a finance expense. The Company uses a credit adjusted discount rate that reflects current market assessments of the time value of money and the risk specific to the liability.

h) Decommissioning Liabilities

The Company accounts for the estimated fair value of legal obligations to reclaim and remediate exploration and evaluation assets in the period incurred, at the net present value of the cash flows required to settle the future obligations. The corresponding amount is capitalized to the related asset and accounted for in accordance with the Company's related accounting policies for exploration and evaluation assets. The liabilities are subject to accretion over time as a finance expense for increases in the fair value of the liabilities. Changes in estimates are accounted for prospectively from the period the estimate is revised.

The operations of the Company may in the future be affected, from time to time in varying degrees, by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

NUBIAN RESOURCES LTD.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on 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. Temporary differences are not provided for goodwill that is 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 balance sheet 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 probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

j) Share Capital

Agent's warrants issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX-V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method.

k) Share-based Compensation

The Company accounts for stock options issued to employees at the fair value determined on the grant date using the Black-Scholes option pricing model. The fair value of the options is recognized as an expense using the graded vesting method where the fair value of each tranche is recognized over its respective vesting period. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed.

Share-based compensation made to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. These payments are recorded at the date the goods and services are received.

Warrants issued are recorded at estimated fair values determined on the grant date using the Black-Scholes model. If and when the stock options or warrants are ultimately exercised, the applicable amounts of their fair values in the reserves account are transferred to share capital.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Loss per Share

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In periods where a loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average price during the period.

m) Newly adopted accounting pronouncements

IFRS 16 Leases

Effective for annual periods beginning on January 1, 2019

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The adoption of this standard did not have an impact on the Company's consolidated financial statements as the Company does not have any long term leases.

4. EQUIPMENT

COST		
Balance at July 31, 2019	\$	18,609
Additions		-
Balance at July 31, 2020		18,609
Additions		5,932
Balance at January 31, 2021	\$	24,541
ACCUMULATED AMORTIZATION		
Balance at July 31, 2019	\$	17,902
Amortization for the year		157
Balance at July 31, 2020		18,059
Amortization for the period		1,499
Balance, at January 31, 2021	\$	19,558
NET BOOK VALUE		
At July 31, 2020	\$	4,983
At January 31, 2021	\$	550

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5. EXPLORATION AND EVALUATION ASSETS

<u>January 31, 2021</u>	USA		Peru		Australia			Total
	Dunfee & Copper Hills Properties		Esquilache Project		Yandoit Project		Stavelly Projects	
Acquisition costs:								
Balance, beginning of period	\$	2	\$	600,000	\$	-	\$	600,002
Additions		-		350,000		3,236,757		2,608,682
Balance, end of period		2		950,000		3,236,757		2,608,682
Exploration costs:								
Incurred during the period		-		128,587		89,849		4,214
Balance, beginning of period		-		295,583		-		-
Balance, end of period		-		424,170		89,849		4,214
Total expenditures	\$	2	\$	1,374,170	\$	3,326,606	\$	2,612,896

<u>July 31, 2020</u>	USA		Peru		Total			
	Excelsior Springs and Palmetto Properties	Dunfee & Copper Hills Properties	Esquilache Project					
Acquisition costs:								
Balance, beginning of year	\$	188,535	\$	59,752	\$	600,000	\$	848,287
Impairment of assets		-		(59,750)		-		(59,750)
Reclassification to assets held for sale		(188,535)		-		-		(188,535)
Balance, end of year	\$	-	\$	2	\$	600,000	\$	600,002
Exploration costs:								
Balance, beginning of year		54,114		33,626		232,918		320,688
Additions		-		-		62,665		62,665
Impairment of assets		-		(33,626)		-		(33,626)
Reclassification to assets held for sale		(52,114)		-		-		(52,114)
Balance, end of year		-		-		295,583		295,583
Total expenditures	\$	-	\$	2	\$	895,583	\$	895,585

a) US Properties

During the period ended July 31, 2020, the Company no longer had plans to explore on the Dunfee and Copper Hill properties. As such, indicators of impairment existed leading to a test of recoverable amounts on the properties. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the property at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

The Company recognized impairment loss of \$93,376 related to these properties.

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

b) Esquilache Project, Peru

On December 28, 2017, the Company entered into a binding agreement with Zinc One Resources Inc. ("Zinc One") to acquire the Esquilache silver project (the "Esquilache Project") comprising the historical Esquilache underground silver mine and the adjacent Virgen de Chapi prospect located in the Puno Department of Southern Peru. Under the terms of the agreement, Nubian agreed to pay \$150,000 in cash (paid) and \$450,000 in common shares of the Company (1,638,151 common shares were issued on July 30, 2018) and four annual advanced Net Smelter Royalty (NSR) payments of \$22,500 on December 27, 2018 (paid), \$78,600 on July 5, 2019 \$37,000 on October 5, 2019 and \$56,000 on January 5, 2020 as well as 23 payments of \$20,000 each between April 5, 2020 and October 5, 2025.

On August 18, 2020, the Company accelerated its purchase of the Esquilache Project from Zinc One with a one-time cash payment of \$350,000, instead of C\$661,806 in total advance royalty payments until October 2025 as outlined in the preceding paragraph.

The Project is subject to a 2% NSR of which Nubian will have the right to purchase 1% for \$500,000 at any time, until the third anniversary of the first sale of gold, silver or concentrate. The Company filed a National Instrument 43-101 technical report on May 8, 2018.

c) Yandoit Project, Australia

On May 21, 2020, the Company entered into a binding letter of intent subject to final due diligence and negotiation of definitive agreements, to acquire the Yandoit Project, situated in the historic Daylesford gold corridor of central Victoria, Australia. The approximately 38 square kilometre (3,800 ha) property consists of one Mining Licence and two Exploration Licences. Under the terms of the binding letter of intent, Nubian paid an AU\$20,000 (C\$18,862) option payment and granted a 2% net smelter return royalty to the vendor.

The definitive agreement was dated October 22, 2020, and amended on November 27, 2020. The initial 60% interest in the Yandoit Project was paid as follows:

	AUD\$	CDN\$ Equivalent
Cash	370,000	357,346
Shares issued	700,000	671,440
Promissory note, interest free and repayable in 18 months from November 27, 2020	750,000	734,100
	\$ 1,820,000	\$ 1,762,886

A finder's fee of C\$50,000 was paid by issuance of 333,333 common shares of the Company.

To acquire the remaining 40% interest in the Yandoit Project, Nubian has agreed to make a payment of AUD 3.5 million (approximately, C\$3.2 million) payable in common shares of Nubian. There is also an exploration commitment of AUD 1 million (approximately C\$915,400) in the 24-month period following the date of the definitive agreement.

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5. EXPLORATION AND EVALUATION ASSETS (Continued)

d) Stavely Projects, Australia

On July 11, 2020, the Company entered into a binding letter of intent to acquire three projects: Fosterville East and the Lefroy and Mathinna projects (collectively the "Stavely Projects"), subject to final due diligence and negotiation of definitive agreements. Together, the Stavely Properties comprise six exploration licenses that include the Fosterville East project located in central Victoria, and the Lefroy and Mathinna projects located in northeast Tasmania.

On September 23, 2020, the Company's wholly-owned subsidiary, Blackwood Prospecting Pty Ltd. ("Blackwood") entered into definitive purchase agreements to acquire the Stavely Projects as follows:

	AUD\$	CDN\$ Equivalent
Cash	100,000	96,282
Shares issued	2,400,000	2,314,800
	<u>\$ 2,500,000</u>	

A finder's fee of C\$71,026 was paid by issuance of 126,832 common shares of the Company.

6. ASSETS HELD FOR SALE

The following tables present summarized financial information related to assets held for sale in the United States and Zambia:

	January 31, 2021	July 31, 2020
EMEW plant (a)	\$ -	\$ 16,000
Excelsior Springs and Palmetto Projects (b)	243,859	242,649
Total assets held for sale	<u>\$ 243,859</u>	<u>\$ 258,649</u>

a) EMEW plant

On September 8, 2020, the Company entered into an agreement with a third party to sell the EMEW mining equipment for \$33,000. A reversal of impairment of \$15,999 was recorded as a income from discontinued operations to the equipment to reflect the fair value less costs to sell, which included storage fees of \$17,000. There were no cash-flows used in discontinued operations.

b) Excelsior Springs and Palmetto Projects

On August 31, 2020, the Company entered into a binding letter of intent with Athena Gold Corporation (OTCQB: AHNR) ("Athena") for Athena to acquire the Company's Excelsior Springs and Palmetto exploration projects located in Esmeralda County, Nevada, USA in exchange for a cash payment of \$10,000 and 50,000,000 common shares at \$0.05 per share. Nubian will retain a 1% NSR on the Excelsior Property and Athena will have the right to purchase 0.5% for \$500,000 and the remaining 0.5% at fair market value. The completion of the transaction is conditional upon the Company obtaining the prior approval of the transaction from the TSX-V and any other approvals required under applicable laws.

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6. ASSETS HELD FOR SALE (Continued)

b) Excelsior Springs and Palmetto Projects (Continued)

On December 11, 2020, the Company entered into an option agreement that provides for Athena to acquire a 10% interest in the Excelsior Springs exploration project and Palmetto mineral claims held by the Company's wholly-owned subsidiary, Nubian Resources (USA) Ltd., with the issuance of 5,000,000 common shares at a deemed value of \$0.05 (the "First Option") and prior to December 31, 2021, for Athena to acquire the remaining 90% interest in the Excelsior Springs exploration project and Palmetto mineral claims with the issuance of 45,000,000 common shares at a deemed value of \$0.05 (the "Second Option"). Should Athena not acquire the Second Option, the 10% interest acquired by Athena under the First Option will revert to Nubian. Conditions precedent to the closing of the Second Option, is that Athena: (1) will have received approval for listing on the Canadian Securities Exchange; (2) will have a minimum of US\$500,000 in cash; and (3) will have a maximum of 75 million common shares outstanding providing Nubian with an approximate 40% interest in Athena (see Note 5a).

Management determined that the Excelsior Springs and Palmetto projects meet the definition of assets held for sale and not discontinued operations in accordance with IFRS 5. In accordance with IFRS 5, on the reclassification to assets held for sale, the Company remeasured the projects to the lesser of the carrying amount and the fair value less costs of disposal. Consequently, the Excelsior Springs property of \$214,103 and the Palmetto property of \$28,546, were classified as assets held for sale as at July 31, 2020 from Exploration and Evaluation Assets (see Note 5).

7. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The following Director transactions and Related Party balances pertain solely to Nubian Resources Ltd.

a) Director transactions

For the period ended January 31, 2021:

	Management & consulting Fees	Share-based compensation	Interest paid on related party loans	Total
	\$	\$	\$	\$
Executive Directors*	116,500	148,950	-	265,450
Non-executive Directors*	69,000	477,715	-	546,715

For the period ended January 31, 2020:

	Management & consulting Fees	Share-based compensation	Interest paid on related party loans	Total
	\$	\$	\$	\$
Executive Directors*	9,000	28,800	-	37,800
Non-executive Directors*	-	69,200	1,250	70,450

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7. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

b) Related party balances

	January 31, 2021	July 31, 2020
Accounts payable	\$ -	\$ 59,205
Promissory notes payable with interest at 10%	-	-
Accrued interest on promissory note	-	-
	<u>\$ -</u>	<u>\$ 59,205</u>

*Paid to directors, non-executive directors, and/or companies controlled by those individuals. All balances owing are unsecured with no fixed terms of repayment.

8. SHARE CAPITAL

a) Authorized

Unlimited number of Class "A" voting Common shares without par value
Unlimited number of Preferred shares without par value (none issued)

b) Issued

During the year ended July 31, 2020:

On June 26, 2020, 11,763,542 units at \$0.15 per unit were issued for proceeds of \$1,764,531. Each unit consisted of one common share and one-half transferrable share purchase warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.20 per share. Finder's fees in the amount of \$77,040 in cash and 364,400 warrant with fair value of \$58,174 were issued to registered dealers.

During the period ended January 31, 2021:

On August 19, 2020, 10,000,000 units at \$0.42 per unit were issued for proceeds of \$4,200,000. Each unit consisted of one common share and one-half transferrable share purchase warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.55 per share. Finder's fees in the amount of \$252,000 in cash and 600,000 warrants at a price of \$0.55 per share were issued to registered dealers.

On November 27, 2020, 4,361,760 common shares were issued for \$671,440 with respect to the 60% acquisition of the Yandoit Project (see Note 5c). A finder's fee of \$50,000 was paid through the issuance of 333,333 common shares of the Company.

On December 16, 2020, 5,050,000 common shares were issued for \$2,314,800 with respect to the 100% acquisition of the Stavely Projects (see Note 5d). A finder's fee of \$71,026 was paid through the issuance of 126,832 common shares of the Company.

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8. SHARE CAPITAL (Continued)

c) Share Purchase Warrants

A summary of the changes in warrants to acquire an equivalent number of shares for the periods ended January 31, 2021 and the year ended July 31, 2020 was as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance July 31, 2019	1,048,000	\$0.39
Issued, June 26, 2020	6,246,171	\$0.20
Exercised during year	(24,000)	\$0.25
Balance July 31, 2020	7,270,171	\$0.23
Issued, August 19, 2020	5,600,000	\$0.55
Exercised during the period	(722,366)	
Expired during the period	(47,855)	
Balance, January 31, 2021	12,099,950	

As of January 31, 2021, the weighted average remaining contractual life of the warrants was 1.3 years (2020 – 1.9 years).

The Company had outstanding warrants as of January 31, 2021 as follows:

Number of Warrants	Number of Warrants Exercisable	Exercise Price	Expiry Date
800,000	800,000	\$ 0.40	July 24, 2021
200,000	200,000	\$ 0.40	August 1, 2021
5,328,650	5,328,650	\$ 0.20	June 26, 2022
171,300	171,300	\$ 0.20	June 26, 2022
5,600,000	5,600,000	\$ 0.55	August 19, 2022
12,099,950	12,099,950		

d) Stock Options

The Company has a stock option plan that provides for the issuance of compensatory options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. Options granted under the plan may have a maximum term of ten years. Terms of the vesting period over which the options are earned is determined by the Board of Directors.

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8. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

A summary of the changes in stock options to acquire an equivalent number of shares for the year ended July 31, 2020 and the period ended January 31, 2021 was as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2019	1,735,000	\$ 0.18
Exercised during the year	(840,000)	\$ 0.25
Expired	(225,000)	\$ 0.27
Granted, September 17, 2019	1,000,000	\$ 0.15
Granted, February 7, 2020	150,000	\$ 0.12
Granted, July 5, 2020	1,600,000	\$ 0.30
Balance, July 31, 2020	3,420,000	\$ 0.21
Granted, September 23, 2020	100,000	\$ 0.60
Granted, December 23, 2020	2,495,000	\$ 0.42
Granted, January 26, 2021	300,000	\$ 0.42
Exercised during the period	(235,000)	
Expired	(115,000)	
Balance, January 31, 2021	5,965,000	

In estimating the fair value of options issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of the Company's common share price on the TSX-V. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has historically not paid dividends on its common stock.

On September 17, 2019, the Company granted 1,000,000 incentive stock options to directors, officers and consultants, exercisable for a period of three years. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$96,000 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.15; ii) expected share price volatility of 103%; iii) risk free interest rate of 1.55%; iv) no dividend yield, v) expected life of three years; and vi) fully vested.

On February 7, 2020, the Company granted 150,000 incentive stock options to a director, exercisable for a period of three years. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$11,000 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.12; ii) expected share price volatility of 98%; iii) risk free interest rate of 1.41%; iv) no dividend yield, v) expected life of three years; and vi) fully vested.

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8. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

On July 5, 2020, the Company granted 1,600,000 incentive stock options to directors, officers and consultants, exercisable for a period of three years. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$580,000 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.30; ii) expected share price volatility of 156%; iii) risk free interest rate of 0.36%; iv) no dividend yield, v) expected life of five years; and vi) fully vested.

On September 23, 2020, the Company granted 100,000 incentive stock options to two consultants, 50,000 exercisable for three years and 50,000 exercisable for five years. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$44,850 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.60; ii) expected share price volatility of 157%; iii) risk free interest rate of 0.32%; iv) no dividend yield, v) expected life of three and five years; and vi) fully vested.

On December 23, 2020, the Company granted 2,495,000 incentive stock options to directors, officers and consultants, exercisable for a period of five years. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$826,000 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.42; ii) expected share price volatility of 107%; iii) risk free interest rate of 0.28%; iv) no dividend yield, v) expected life of five years; and vi) fully vested.

On January 26, 2021, the Company granted 300,000 incentive stock options to a director for a period of five years. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$59,000 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.42; ii) expected share price volatility of 155%; iii) risk free interest rate of 0.41%; iv) no dividend yield, v) expected life of five years; and vi) fully vested.

The Company had outstanding stock options as of January 31, 2021 as follows:

Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date
175,000	175,000	\$ 0.10	October 21, 2021
1,000,000	1,000,000	\$ 0.15	September 17, 2022
145,000	145,000	\$ 0.10	January 2, 2023
150,000	150,000	\$ 0.12	February 7, 2023
50,000	50,000	\$ 0.60	September 23, 2023
1,600,000	1,600,000	\$ 0.30	July 5, 2025
50,000	50,000	\$ 0.60	September 23, 2025
2,495,000	2,495,000	\$ 0.42	December 23, 2025
300,000	300,000	\$ 0.42	January 26, 2026
5,965,000	5,965,000		

As of January 31, 2021, the weighted average remaining contractual life of the options was 3.9 years (2020 – 3.3 years).

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8. SHARE CAPITAL (Continued)

e) Nature and Purpose of Share-based Compensation Reserve

'Share-based Compensation Reserve' is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

9. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in the USA, Peru, and Australia, and dispose of its holdings in Africa. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company 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.

To ensure continued operations, the Company depends on external financing to fund its activities.

In the past, the Company has been successful in raising funds through the issuance of share capital. It is uncertain, however, how successful the Company will be in raising more funds in the current difficult market conditions. The Company currently has insufficient funds for its anticipated operational activities and will require equity financing, joint ventures or other forms of financing in order to fund continued exploration activities and administrative overhead costs for the coming year.

There were no changes in the Company's approach to capital management during the period ended October 31, 2020. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at January 31, 2021, the classification of the financial instruments and as their carrying values and fair values are shown in the table below:

	Level	Book value/ amortized cost	Fair value/ amortized cost
Financial assets			
Cash	1	\$ 3,768,581	\$ 3,768,581
		\$ 3,768,581	\$ 3,768,581
Financial liabilities			
Accounts payable	1	\$ 332,891	\$ 332,891
Promissory note		734,100	734,100
		\$ 1,066,991	\$ 1,066,991

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk, commodity risk and currency risk are considered the most significant.

The carrying values of the Company's cash and accounts payable and accrued liabilities were a reasonable approximation of fair value due to their short-term nature.

Financial instruments measured at fair value on the consolidated statement of financial position were made using inputs within the following fair value hierarchy that reflect their significance:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

There have been no transfers between levels 1 and 2, or transfers in or out of level 3 for the years ended July 31, 2020 and 2019.

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including copper and gold, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

b) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, United States of America, Peru, and Australia and a portion of its expenses are incurred in Australian dollars ("AUD") and United States dollars ("USD"). A significant change in the currency exchange rates between the Canadian dollar and the AUD or USD could have an effect on the Company's results of operations, financial position or cash flows.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Currency Risk (Continued)

The Company has not hedged its exposure to currency fluctuations. At January 31, 2021, the Company was exposed to currency risk through the following assets and liabilities denominated in AUD and USD.

	2021	2020
Cash	\$ 140,698	\$ 2,045
Assets held for sale	\$ 243,859	\$ 243,859
Accounts payable and accrued liabilities	\$ (238,880)	\$ (238,880)

Based on the above net exposures at January 31, 2021, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the AUD and USD would result in an increase/decrease of \$15,000 in the Company's loss from operations.

c) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

The difficult market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations (see Notes 1 and 6).