

FAIRMONT RESOURES INC.

Financial statements

For the years ended October 31, 2019 and 2018

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fairmont Resources Inc.

Opinion

We have audited the financial statements of Fairmont Resources Inc. (the “Company”), which comprise the statements of financial position as at October 31, 2019 and 2018, and the statements of loss and comprehensive loss, cash flows and changes in shareholders’ deficiency for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that 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 Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Matthew Gosden.



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

February 28, 2020

FAIRMONT RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	October 31, 2019	October 31, 2018
ASSETS		
CURRENT		
Cash	\$ 247	\$ 8,216
Marketable securities (Note 3)	–	67,500
Amounts receivable	9,445	3,777
Prepaid expenses	12,803	–
TOTAL ASSETS	\$ 22,495	\$ 79,493
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Accounts payable	\$ 694,059	\$ 452,690
Accrued liabilities	109,096	196,511
Success fee liability (Note 9)	844,158	856,118
Due to related parties (Note 6)	332,719	427,868
TOTAL CURRENT LIABILITIES	1,980,032	1,933,187
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 5)	5,906,745	5,898,290
Equity reserves	1,133,998	1,133,998
Accumulated other comprehensive loss	–	(52,500)
Share Subscription receivable	(6,000)	(6,000)
Deficit	(8,992,280)	(8,827,482)
TOTAL SHAREHOLDERS' DEFICIENCY	(1,957,537)	(1,853,694)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 22,495	\$ 79,493

Nature and continuance of operations (Note 1)

Approved on behalf of the Board February 28, 2020:

"Binyomin Posen"

Director

"Michael Lerner"

Director

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

FAIRMONT RESOURCES INC
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended October 31	
	2019	2018
OPERATING EXPENSES		
Administration (Note 6)	\$ 12,000	\$ 17,012
Advertising and promotion	—	885
Audit and accounting (Note 6)	83,189	71,480
Consulting	5,639	11,167
Foreign exchange gain	(12,103)	(7,359)
Investor Relations	—	2,167
Legal	15,866	36,288
Management (Note 6)	120,000	114,000
Office and miscellaneous	4,719	306
Registration and transfer fees	9,188	29,010
	(238,498)	(274,956)
OTHER INCOME		
Gain on sale of securities (Note 3)	(11,358)	—
Impairment of exploration and evaluation assets (Note 4)	—	(818,945)
Gain on sale of property	—	145,000
Gain on settlement of debt (Notes 5 and 6)	92,599	—
Reversal of legal fees	—	72,010
Other income	44,959	—
NET LOSS	\$ (112,298)	\$ (876,891)
OTHER COMPREHENSIVE LOSS		
Net change in fair value of marketable securities (Note 3)	—	(52,500)
COMPREHENSIVE LOSS	\$ (112,298)	\$ (929,391)
LOSS PER SHARE, basic and diluted	\$ (0.03)	\$ (0.24)
Weighted average number of shares outstanding	4,420,441	3,924,866

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

FAIRMONT RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended October 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (112,298)	\$ (876,891)
Adjustments		
Loss on sale of marketable securities	11,358	–
Impairment of exploration and evaluation assets	–	818,945
Gain on disposal of exploration and evaluation assets	–	(145,000)
Gain on settlement of debt	(92,599)	–
Changes in non-cash working capital items		
Amounts receivable	(5,668)	(3,186)
Accounts payable and accrued liabilities	229,390	23,862
Prepaid expense	(12,803)	–
Success fee liability	(11,960)	(7,187)
Due to related parties	(69,531)	172,942
Net cash used in operating activities	(64,111)	(16,515)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures, net	–	(1,419)
Sale of marketable securities	56,142	–
Funds received for settlement of exploration and evaluation assets	–	25,000
Net cash provided by investing activities	56,142	23,581
Increase (decrease) in cash	(7,969)	7,066
Cash, beginning of the year	8,216	1,150
Cash, ending of the year	\$ 247	\$ 8,216

NON-CASH TRANSACTIONS

Shares of public company received on disposal of exploration and evaluation asset	\$ –	\$ 120,000
Shares issued for settlement of debt	\$ 8,455	\$ 165,708

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

FAIRMONT RESOURCES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscription receivable	Equity Reserves	Accumulated other comprehensive loss	Deficit	Total deficiency
Balance at October 31, 2017	3,736,912	\$ 5,732,582	\$ (6,000)	\$1,133,998	\$ -	\$ (7,950,591)	\$ (1,090,011)
Shares issued in settlement of debt	331,416	165,708	-	-	-	-	165,708
Net loss	-	-	-	-	-	(876,891)	(876,891)
Other comprehensive loss	-	-	-	-	(52,500)	-	(52,500)
Balance at October 31, 2018	4,068,328	5,898,290	(6,000)	1,133,998	(52,500)	(8,827,482)	(1,853,694)
Adoption of IFRS 9	-	-	-	-	52,500	(52,500)	-
Shares issued in settlement of debt	422,767	8,455	-	-	-	-	8,455
Net loss	-	-	-	-	-	(112,298)	(112,298)
Balance at October 31, 2019	4,491,095	\$5,906,745	\$(6,000)	\$ 1,133,998	\$ -	\$ (8,992,280)	\$ (1,957,537)

The accompanying notes are an integral part of these financial statements

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

Fairmont Resources Inc. (the “Company”) was incorporated on May 25, 2007 under the British Columbia Business Corporations Act. The Company’s head office and registered and records office address is Suite 820 – 1130 west Pender Street, Vancouver, BC V6E 4A4, Canada. The Company was listed on the TSX Venture Exchange (the “Exchange”) under the symbol “FMR”. On October 26, 2018, shares of the Company were delisted from the TSX Venture Exchange subsequent to the approval by the shareholders of the Company in its annual general meeting and special meeting on September 21, 2018.

The Company is primarily engaged in the acquisition, exploration and development of mineral properties. As at October 31, 2019, the Company does not hold an interest in any properties that it has determined to contain ore reserves that are economically recoverable or that it is actively exploring.

The Company expects to incur further losses, and require additional equity financing, in the development of its business and to meet its obligations. While the Company has been successful at raising additional equity financing in the past, there is no guarantee that it will continue to do so in the future, which casts significant doubt on the Company’s ability to continue as a going concern. The Company’s ability to continue its operations is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International financial Reporting Interpretations Committee (“IFRIC”).

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

The financial statements of the Company are presented in Canadian dollars unless otherwise indicated, the functional currency of the Company.

These financial statements were approved and authorized for issuance by the Board of Directors on February 28, 2020.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**b) Use of estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of exploration and evaluation assets and deferred exploration costs, share-based payments and deferred tax valuation allowance.

c) Income taxes

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

d) Cash and cash equivalent

Cash and cash equivalents includes cash on hand, deposits held at financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**e) Impairment**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

f) Provision for closure and reclamation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision required for closure and reclamation as at October 31, 2019 and October 31, 2018.

g) Share-based payments

The Company applies the fair value method to share-based payments and all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in equity reserves. When the options are exercised, the exercise price proceeds together with the amount initially recorded in equity reserves are credited to share capital.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**h) Basic and diluted loss per share:**

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. Since the Company has losses the exercise of outstanding options and warrants has not been included in this calculation as it would be anti-dilutive.

i) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

f)**j) Financial instruments****Changes in Accounting Policies**

The Company adopted the following new standards issued by the IASB or the IFRIC:

IFRS 9, Financial Instruments

Effective November 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company adopted the standard retrospectively and prior periods were not restated. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities except for marketable securities (Note 3).

As a result of adopting this standard, the Company has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. An assessment has been made and the impact to the Company's financial statements was to reclassify its available-for-sale marketable securities to fair value through profit or loss. As the Company adopted IFRS 9 retrospectively without restatement of comparative amounts, this resulted in a reclassification of \$52,500 from accumulated other comprehensive income to deficit on November 1, 2018. Future changes in the fair value of these marketable securities will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance had no impact on the Company's financial statements.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at November 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Prepaid expense	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Debt advances	Other financial liabilities	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments is as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.
- Amortized cost Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following five categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

- Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Changes in Accounting Policies (continued)****Transaction costs**

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition**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 statements of loss and comprehensive loss.

Financial liabilities

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

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Future Accounting Pronouncements**

The accounting pronouncements detailed in this note and those that have been issued but are not yet effective and may have an impact on the financial statements. The Company has not early adopted these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 16 – Leases (“IFRS 16”) sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (“lessee”) and the supplier (“lessor”). This will replace IAS 17, Leases and related Interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective to annual periods beginning on or after January 1, 2019. The Company does not expect the adoption of IFRS 16 will impact its financial statements.

3. MARKETABLE SECURITIES

The Company designates its investment in marketable securities as fair value through profit and loss.

On August 9, 2017 the Company agreed to sell the property to Jourdan Resources Inc. (“Jourdan Resources”) and as part of the payment, on July 15, 2018, the Company received 1,500,000 shares of Jourdan Resources with a fair value of \$120,000.

During the year ended October 31, 2018, the Company recognized the change in fair value of \$52,500 as other comprehensive loss. Effective November 1, 2018, the Company adopted IFRS 9, this resulted in reclassification of \$52,500 from accumulated other comprehensive loss to deficit.

During the year ended October 31, 2019, the Company sold these shares for proceeds of \$56,142 and recorded a loss of \$11,358.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

4. EXPLORATION AND EVALUATION ASSETS

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation assets:

	Buttercup	Forestville	Baie Comeau	Total
	\$	\$	\$	\$
Balance, October 31, 2017	158,567	209,526	61,405	429,498
Impairment	(158,567)	(209,526)	(61,405)	(429,498)
Balance, October 31, 2018 and 2019	–	–	–	–
Deferred exploration costs				
Balance, October 31, 2017	146,071	241,957	–	388,028
Additions	1,419	–	–	1,419
Impairment	(147,490)	(241,957)	–	(389,447)
Balance, October 31, 2018 and 2019	–	–	–	–
Exploration and evaluation assets, October 31, 2017	304,638	451,483	61,405	817,526
Exploration and evaluation assets, October 31, 2018 and 2019	–	–	–	–

Buttercup Property (Quebec)

On January 28, 2014 the Company entered into a purchase agreement with an arm's length party (the "Vendor") to earn a 100% interest in certain mineral claims known as the Buttercup property in the province of Quebec.

During the year ended October 31, 2018, the Company determined there were indicators of impairment due to no substantive exploration and evaluation expenditures planned on the property. An impairment of \$306,057 was recognized in the statement of loss and comprehensive loss during the year ended October 31, 2018.

Effective August 9, 2018, the Company terminated the purchase agreement.

Forestville – Baie Comeau Property (Quebec)

On January 21, 2015 the Company acquired a 100% interest in the Forestville and Baie Comeau Quartzite properties (the "Properties"). The properties have been optioned for the purpose of testing the chemical and physical properties of the quartzite as a potential raw material for various products such as: high purity glass, fibre optics, countertops, ferrosilicon and silica metal.

During the year ended October 31, 2018, the Company determined there were indicators of impairment due to no substantive exploration and evaluation expenditures planned on the property. Management had let the mineral claims lapse. As a result, an impairment of \$512,888 was recognized in the statement of loss during the year ended October 31, 2018.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended October 31, 2019 and 2018

4. EXPLORATION AND EVALUATION ASSETS (Continued)**Rome Lithium Property (Quebec)**

On May 26, 2016 the Company signed an option agreement with a Quebec prospector (the “Prospector”) to acquire a 100% interest in the Rome Lithium property, near Val d’Or, Quebec (the “Property”). Accordingly, Fairmont (the “Optionee”) will issue to the Optionor 500,000 shares (issued) and will pay the Optionor \$25,000 (paid).

On June 22, 2017, the Company signed a Right of First Refusal (ROFR) contract with Jourdan Resources for the Rome Lithium property. Jourdan Resources is a related party due to a common director. The terms of the ROFR required an initial \$25,000 refundable payment to the Company. Should the Company not find a better offer within 30 days of signing the ROFR, Jourdan would have paid an additional \$25,000 cash and issued the Company an additional 1,500,000 shares. The Company would have also received a 2% Net Smelter Royalty.

During the year ended October 31, 2017, the Company determined there were indicators of impairment due to the payments under the option agreement not being received, and no substantive exploration and evaluation expenditures planned on the property. An impairment of \$147,500 was recognized in the statement of loss.

On July 15, 2018, the Company received remaining \$25,000 and was issued 1,500,000 shares of Jourdan Resources with a fair value of \$120,000 (Note 3). The Company recognized the payments received as a gain on disposal of property in the statement of loss and comprehensive loss.

5. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares without par value.

Share issuances:**Year ended October 31, 2019**

On December 23, 2018, the Company closed a debt settlement transaction with certain creditors, pursuant to which the Company settled indebtedness of \$75,436 through the issuance of 422,767 common shares with a fair value of \$8,455 and agreed to assignment of debt of \$586,482 to a third-party creditor including \$324,678 that was owed to related parties. The Company recognized a gain in settlement of debt of \$66,981 resulting from this transaction.

Year ended October 31, 2018

On August 23, 2018, the Company closed a debt settlement transaction with certain creditors, pursuant to which the Company settled indebtedness of \$165,708 through the issuance of 331,416 common shares. 124,012 of the shares issued were to a former officer, or companies controlled by former directors and officers.

FAIRMONT RESOURCES INC.

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5. SHARE CAPITAL (continued)

Effective October 1, 2018, the Company its common shares on a 10 to 1 basis, which resulted in 4,068,328 shares outstanding post-consolidation. The consolidation was approved by the shareholders of the Company on September 21, 2018 and by the Exchange on September 28, 2018. All references to common shares, stock options and warrants in these financial statements have been adjusted to reflect this change.

Stock options

The Company has a rolling stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

The following table summarizes the stock option activity:

	Number of Stock Options	Weighted Average Exercise Price
Balance at October 31, 2017	181,500	\$ 1.80
Expired	(86,500)	1.80
Balance at October 31, 2018 and 2019	95,000	\$ 1.80

As at October 31, 2019, the following incentive stock options are outstanding:

Number of Stock Options	Exercise Price	Expiry Date
95,000	\$ 1.80	June 16, 2021

Warrants

The following table summarizes the warrants and agent warrants activity.

	Number of Warrants	Weighted Average Exercise Price
Balance at October 31, 2017 and 2018	356,786	\$ 1.50
Expired	(356,786)	\$ 1.50
Balance at October 31, 2019	-	-

6. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 - Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

FAIRMONT RESOURCES INC.

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6. RELATED PARTY TRANSACTIONS (continued)

The Company entered into the following transactions with related parties:

The President and Chief Executive Officer, Mr. Michael Lerner, (“CEO”) of the Company is the President of 1820546 Ontario Inc. (“1820546 Inc.”), which has a contract with the Company. Fees and outstanding amounts due to 1820546 Inc. relating to management fees consulting services as expensed are detailed in the table below.

The Chief Financial Officer, Mr. Balu Gopalakrishnan, (“CFO”) of the Company is the president of Campus Alliance Inc., which has a service contract with the Company and is entitled to fees based on this contract relating to accounting services. These fees are expensed as accounting fees in the general and administrative expenses.

The table below details the fees incurred with the related parties:

	Year ended	
	October 31, 2019	October 31, 2018
1820546 Inc. - management fees	\$ 120,000	\$ 110,000
1820546 Inc. - administrative fees	12,000	11,000
Greg Ball (former CFO)	-	4,000
Campus Alliance Inc (accounting fees)	60,000	40,000
Harvey McKenzie (former Director)	-	2,500
Total related party transactions	\$ 192,000	\$ 167,500

The table below details the balances due to the related parties:

	October 31, 2019	October 31, 2018
1820546 Inc.	\$ 239,869	\$ 143,548
Campus Alliance Inc.	92,850	36,850
Avanti Management and consulting Ltd., company controlled by the former CEO	-	244,970
Harvey McKenzie (former Director)	-	2,500
Total Related party payables	\$ 332,719	\$ 427,868

In addition to the above balance, during the year ended October 31, 2019, \$324,678 of balance due to related parties was assigned to a third party, and \$25,618 of balance due was forgiven and recognized as a gain on settlement of debt. The amounts are non-interest bearing, unsecured and have no terms of repayments.

7. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders’ equity. The Company’s objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company’s approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

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8. FINANCIAL INSTRUMENTS**a) Fair Values**

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

d) Foreign Exchange Risk

The Company does not have significant foreign exchange risk as most of its transactions are in Canadian dollars.

e) Interest Rate Risk

The Company is not exposed to significant interest rate risk.

FAIRMONT RESOURCES INC.

Notes to the Financial Statements

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9. SUCCESS FEE LIABILITY

In June 2016, the Company placed a deposit of \$217,163 (€150,000) on the assets of Granitos de Badajoz S.A. (Grabasa) in Extremadura region of Spain. The total purchase price of the property was €3,700,000. Due to the inability to find suitable financing, the Spanish courts terminated the offer by the Company for the Grabasa assets on May 26, 2017. As a result, the €150,000 deposit on the property was forfeited.

In connection with the Grabasa purchase, the Company signed a success fee agreement with a Spanish company, Eureka Trading, whereby Eureka would assist in the negotiation of the unsuccessful acquisition of certain assets in Spain belonging to Granitos de Badajoz, S.A. On June 30, 2017, the courts in Spain ordered a success fee of €575,000 (\$844,158) in favor of Eureka Trading. On November 20, 2017, the matter was transferred to a Court in Ontario to enforce the ruling of the Spanish Court. As of October 31, 2019, this debt has been assigned by Eureka Trading to a third party.

On May 22, 2018, Eureka Trading assigned the rights of the claim to a third party, and the Company executed a full and final release form, whereby €575,000 (\$844,158) is owing to the third party. The Company reversed \$72,010 in legal fees outstanding on behalf of Eureka Trading that are no longer payable based on the terms of the debt assignment.

Management continues to seek relief from this judgement, however, the likelihood of success of this action cannot be determined. This amount has been accrued in the statement of financial position as at October 31, 2019 and 2018.

10. INCOME TAXES

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

	2019		2018	
Net loss	\$	(112,298)	\$	(876,891)
Expected income tax (recovery)	\$	(30,000)	\$	(235,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		(2,000)		231,000
Share issuance cost		-		1,000
Change in unrecognized deductible temporary differences		32,000		3,000
Total income tax expense (recovery)	\$	-	\$	-

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10. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2019	2018
Deferred Tax Assets		
Exploration and evaluation assets	\$ 381,000	\$ 381,000
Non capital losses	1,187,000	1,155,000
Unrecognized deferred tax assets	(1,568,000)	(1,536,000)
Net deferred income tax assets	\$ -	\$ -

The Company has non-capital losses for Canadian income tax purposes of approximately \$4,400,000 which may be carried forward and applied against taxable income in the future. These losses, if not utilized, will expire starting in 2029 through 2039.