ZONTE METALS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIODS ENDED JULY 31, 2020

(Canadian dollars)
(Unaudited)

Prepared by Management – see Notice to Reader

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice to this effect. These unaudited condensed interim financial statements have been prepared by management of the Company. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of these financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes

(signed) "*Terry Christopher*"
President & Chief Executive Officer

(signed) "*Brian MacEachen*"
Chief Financial Officer

Zonte Metals Inc.
Condensed Interim Statements of Financial Position
(Unaudited)
(Canadian dollars)

	31-Jul 2020	31-Jan 2020
ASSETS	**$**	**$**
Current assets:		
Cash and cash equivalents	**1,164,238**	1,877,804
Prepaids and other receivable	**61,648**	221,545
	1,225,886	2,099,349
Non-current assets:		
Property and equipment	**27,595**	31,751
Exploration and evaluation assets (note 5)	**3,970,425**	2,991,910
TOTAL ASSETS	**5,223,906**	5,123,010
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	**213,307**	170,798
Amounts due to related party (note 11)	**13,800**	13,800
Flow-through premium (note 7)	**84,368**	338,049
	311,475	522,647
Due to related party (note 11)	**1,101,119**	1,063,505
	1,412,594	1,586,152
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**6,635,836**	6,500,560
Warrants (note 9)	**34,195**	194,428
Contributed surplus	**1,662,361**	1,484,832
Deficit	**(4,521,080)**	(4,642,962)
TOTAL EQUITY	**3,811,312**	3,536,858
	5,223,906	5,123,010

Going Concern (Note 2)

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

Zonte Metals Inc.
Condensed Interim Statements of Profit (Loss) and Comprehensive Income (Loss)

(Unaudited)
(Canadian dollars)

	For the three months ended		For the six months ended	
	31-Jul 2020	31-Jul 2019	31-Jul 2020	31-Jul 2019
	$	$	$	$
Operating expenses:				
Management and consulting fees	**33,050**	63,452	**71,808**	127,583
Office & general	**1,044**	813	**1,696**	2,520
Transfer agent, listing & filing fees	**4,989**	5,110	**12,560**	12,445
Insurance	**2,269**	2,142	**4,488**	4,215
Travel & entertainment	**-**	-	**-**	-
Communications	**841**	800	**2,131**	1,602
Investor relations & shareholder communications	**4,805**	2,724	**5,710**	3,944
Legal & audit	**6,160**	4,000	**10,560**	8,122
Depreciation	**2,078**	2,276	**4,156**	4,552
General exploration and due diligence	**2,016**	1,782	**3,306**	2,633
Part XII.6 Tax	**4,299**	-	**6,635**	-
Stock based compensation	**9,281**	69,103	**21,447**	147,729
	70,832	152,202	**144,497**	315,345
Finance income (expenses):				
Interest income	**3,539**	5,685	**10,813**	11,917
Interest expense	**-**	(12)	**-**	(18)
Gain on revaluation and accretion expense on long-term related party balances (note 11)	**12,383**	(12,363)	**1,886**	(23,636)
	15,922	(6,690)	**12,699**	(11,737)
Loss before deferred income tax recovery	**54,910**	**158,892**	**131,798**	**327,082**
Deferred income tax recoveries	**(141,230)**	(40,248)	**(253,681)**	(116,108)
Net profit (loss) and comprehensive income (loss)	**86,320**	**(118,644)**	**121,883**	**(210,974)**
Income (loss) per share - basic and diluted	**0.00**	0.00	**0.00**	**(0.00)**
Weighted average outstanding shares - basic and diluted	**57,624,091**	51,805,159	**57,562,159**	51,786,798

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

Zonte Metals Inc.

Condensed Interim Statements of Changes in Equity (Deficiency)

(Unaudited)

(Canadian dollars)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total
Balance - February 1, 2019	51,767,818	5,458,705	160,232	1,277,696	(4,485,981)	$ 2,410,652
Net loss and comprehensive loss for the period	-	-	-	-	(210,974)	(210,974)
Stock-based compensation	-	-	-	147,729	-	147,729
Transactions with owners, recognized directly in equity:						
Issue of shares for property	101,041	23,239	-	-	-	23,239
Balance - July 31, 2019	51,868,859	5,481,944	160,232	1,425,425	(4,696,955)	2,370,646
Balance - August 1, 2019	51,868,859	5,481,944	160,232	1,425,425	(4,696,955)	2,370,646
Net loss and comprehensive loss for the period					53,993	53,993
Stock-based compensation				59,407		59,407
Transactions with owners, recognized directly in equity:						
Issue of Units and Flow-through Shares for cash	5,341,102	1,124,070	22,630			1,146,700
Unit and Flow-through share issue costs		(105,454)	(1,146)			(106,600)
Broker warrants issued		-	12,712			12,712
Balance - January 31, 2020	57,209,961	6,500,560	194,428	1,484,832	(4,642,962)	3,536,858
Balance - February 1, 2020	57,209,961	6,500,560	194,428	1,484,832	(4,642,962)	3,536,858
Net profit and comprehensive income for the period	-	-	-	-	121,882	121,882
Stock-based compensation	-	-	-	21,447	-	21,447
Transactions with owners, recognized directly in equity:						
Exercise of stock options	25,000	9,276		(4,151)	-	5,125
Expiry of warrants			(160,233)	160,233		-
Issue of shares for property	400,000	126,000				126,000
Balance - July 31, 2020	57,634,961	6,635,836	34,195	1,662,361	(4,521,080)	3,811,312

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

Condensed Interim Statements of Cash Flows

(Unaudited)

(Canadian dollars)

	For the six months ended	
	31-Jul 2020	**31-Jul 2019**
Cash (Used In) Provided By:	$	$
Operating Activities:		
Net profit (loss) and comprehensive income (loss)for the period	**121,882**	(210,974)
Adjustments for:		
Depreciation	**4,156**	4,552
Stock-based compensation	**21,447**	147,729
Deferred Income tax recoveries	**(253,681)**	(116,108)
Interest income	**(10,813)**	(11,917)
Interest expense	**-**	18
Deferral of related party salaries	**39,500**	41,300
Gain on revaluation and accretion expense on long-term related party balances (note 11)	**(1,886)**	23,636
Changes in items of working capital:		
Prepaids and accounts receivable	**159,897**	9,268
Accounts payable and accrued liabilities	**(792)**	(14,874)
	79,711	(127,370)
Financing Activities:		
Exercise of Options	**5,125**	-
Interest expense	**-**	(18)
	5,125	(18)
Investing Activities:		
Purchases of and expenditures on exploration & evaluation assets	**(809,215)**	(467,739)
Interest income	**10,813**	11,917
	(798,402)	(455,822)
Change in cash and cash equivalents	**(713,566)**	(583,210)
Cash and cash equivalents, opening	**1,877,804**	1,728,925
Cash and cash equivalents, closing	**1,164,238**	1,145,715

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

1. Nature of Business

Zonte Metals Inc. (the "Company") is a company incorporated and domiciled in Canada. The address of the Company's registered office is 20 Fielding Ave, Dartmouth, Nova Scotia, B3B 1E1. The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol ZON. The Company is a mineral exploration company engaged in locating and acquiring high quality projects and exploring for gold and has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable.

2. Going Concern and Basis of Presentation

Going Concern

The Company's continuing operations and the underlying value and recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration property interests, and on future profitable production or proceeds from the disposition of the exploration property interests. To date, the Company has not earned any revenue.

These condensed interim financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities and commitments in the normal course of business as they become due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration. These risks include, but are not limited to, dependence on key individuals, successful exploration results and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. For the three months ended July 31, 2020, the Company incurred a loss before deferred income tax recovery of $0.2 million (2019 - $0.3 million) and as at July 31, 2020 had an accumulated deficit of approximately $4.5 million (January 31, 2020 - $4.6 million). The Company has no income or cash flows from operations and at July 31, 2020 had working capital of $914,411 (January 31, 2020 $1,576,702). The ability of the Company to fulfill its commitments, meet its planned business objectives and continue as a going concern is dependent upon the ability of the Company to raise additional financing and upon successful results from its mineral property acquisitions and exploration activities. There is no assurance that these initiatives will be successful.

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34").

These condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended January 31, 2020. The policies applied in these condensed interim financial statements are consistent with the policies disclosed in Notes 4 and 5 of the financial statements for the year ended January 31, 2020.

The condensed interim financial statements were authorized for issue by the Board of Directors on September 24, 2020.

Basis of Presentation

These unaudited condensed interim financial statements have been prepared on the historical cost basis, except for share-based payments measured at fair value. Items included in the financial statements are measured using the Canadian dollar which is the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Canadian dollars.

Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. Significant Accounting Policies

These condensed interim financial statements have been prepared using the same policies and methods of computation as the annual financial statements of the Company for the year-ended January 31, 2020. Refer to note 4, *Summary of Significant Accounting Policies*, and note 6, *Financial Instruments and fair values*, of the Company's annual financial statements for the year-ended January 31, 2020 for information on the accounting policies as well as new accounting standards not yet effective.

4. Capital Management

The Company's capital structure consists of share capital, warrants and contributed surplus, which at July 31, 2020 totalled $8.3 million (January 31, 2020 - $8.2 million). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through 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.

The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

(Canadian dollars)

5. Exploration and evaluation assets

The following is a summary of exploration and evaluation expenditures for the periods ended July 31, 2020 and January 31, 2020:

	Wings Point $	McConnel's Jest $	Cross Hill	Total $
Beginning balance, February 1, 2019	415,491	1,061,812	429,638	1,906,941
Additions during the period:				
Acquisition costs	3,558	48,489	18,290	70,337
Assays & analysis	19,965	4,300	51,514	75,779
Consulting fees	-	-	64,390	64,390
Drilling	-	-	420,378	420,378
Exploration support	6,983	1,066	320,953	329,002
Field supplies	-	-	30,071	30,071
Geophysics	700	-	127,481	128,181
Transportation & travel	-	-	81,849	81,849
	31,206	53,855	1,114,926	1,199,987
Refund of Security Deposits	-	-	(11,850)	(11,850)
Mineral Incentive Program - Junior Exploration Assistance	-	-	(103,168)	(103,168)
	31,206	53,855	999,908	1,084,969
Ending balance, January 31, 2020	446,697	1,115,667	1,429,546	2,991,910
Beginning balance, February 1, 2020	446,697	1,115,667	1,429,546	2,991,910
Additions during the period:				
Acquisition costs	2,600	-	126,000	128,600
Assays & analysis	11,292	297	36,114	47,703
Consulting fees	-	-	32,262	32,262
Drilling	251,984	-	238,311	490,295
Exploration support	28,513	-	187,143	215,656
Field supplies	605	595	13,359	14,559
Geophysics	-	-	-	-
Transportation & travel	1,464	-	47,976	49,440
	296,458	892	681,165	978,515
Ending balance, July 31, 2020	743,155	1,116,559	2,110,711	3,970,425

(Canadian dollars)

Wings Point

The Wings Point Project (the "Project") consists of five mineral exploration licenses covering 144 claims and an area of approximately 3,600 hectares located in the Province of Newfoundland and Labrador in Canada. The Company's interests in the Project are summarized as follows:

Name	Claims	Hectares	Ownership interest
Wings Point North	30	750	Direct
Wings Point Extension	114	2,850	Direct

The Company acquired a 100% interest in the Wings Point North claims pursuant to an option agreement amended on June 27, 2014 (the "Wings Point North Option"). The Wings Point North claims are covered by Newfoundland Exploration License 016270M which consists of 30 Mineral Exploration claims covering 750 hectares and are subject to a 3% Net Smelter Royalty ("NSR") on production from the Wings Point North License, two-thirds of which can be bought back by the Company for $2,000,000.

Pursuant to the Wings Point North Option agreement, if the Company is able to identify one million ounces of gold, in the Measured and Indicated categories of a NI 43-101report, within the Wings Point North License, an additional 300,000 common shares of the Company will be issued and $6,638 finders' fees will be paid and if the Company is able to identify two million ounces of gold, in the Measured and Indicated categories of a NI 43-101 report, within the Wings Point North License, an additional 400,000 common shares of the Company will be issued and $8,850 finders' fees will be paid.

The Wings Point Extension, including an additional 43 claims staked in May 2020, was staked by the Company and is not subject to the NSR arising from the Wings Point North Option Agreement.

McConnell's Jest Project

The McConnell's Jest Project ("MJ Project") is located in the Yukon Territory about 65 km northeast of the town of Mayo and is comprised of 172 contiguous quartz claims covering approximately 3,371 hectares. During June 2019, the Company amended the terms of the MJ Project option agreement (The "MJ Option Agreement") wherein it agreed to make a final payment of $25,000 and issued 83,333 common shares in order to complete its acquisition of a 100% interest in the property. The following are the amended terms pursuant to which the Company acquired its 100% interest:

- Making aggregate cash payments of $125,000;
- Issuing 1,583,333 common shares of the Company; and
- Granting a 3% NSR on production from the MJ Project, two-thirds of which can be bought back by the Company for $2,000,000.

The MJ Option Agreement was subject to a 10% Finder's Fee of which 10% was payable in cash and 90% in common shares. A total of $1,250 and 217,318 common shares were paid to the Finder.

Cross Hills Project

The Cross Hills Project ("Cross Hills") is located on the island portion of Newfoundland and Labrador, approximately 20 kilometres from the town of Terrenceville and is comprised of 509 claims covering approximately 12,725 hectares, including 90 claims optioned from the property vendor and 419 claims staked by the Company. The Company can earn a 100% interest in the Project pursuant to an option agreement ("the Cross Hill Agreement") by:

(Canadian dollars)

- Making aggregate cash payments of $55,000 over a three-year period of which, $30,000 has been paid and $25,000 is payable on or before January 27, 2021;
- Issuing 1,500,000 common shares of the Company over a three-year period of which, 1,000,000 common shares have been issued, including 400,000 common shares issued in February 2020 and 500,000 common shares which are due by January 27, 2021; and
- Granting a 3% NSR on production from the Cross Hills Project, two-thirds of which can be bought back by the Company for $2,000,000.

6. Accounts payable and accrued liabilities

	July 31 2020 $	January 31 2020 $
Trade payables	178,783	128,512
Accrued expenses	34,524	42,286
	213,307	170,798

7. Flow-through premium

	$
Opening balance – February 1, 2019	222,258
Pro rata reduction of flow-through premium liability to related to qualifying expenditures incurred	(75,861)
Closing balance – July 31, 2019	146,727
Opening balance – May 30, 2019	146,727
Flow-through share premium liability recorded on issuance of flow-through shares	374,575
Pro rata reduction of flow-through premium liability to related to qualifying expenditures incurred	(183,253)
Closing balance – January 31, 2020	338,049
Opening balance – February 1, 2020	338,049
Pro rata reduction of flow-through premium liability to related to qualifying expenditures incurred	(253,681)
Closing balance – July 31, 2020	84,368

In connection with the issuance of the 2019 Flow-Through Shares, the Company is required to incur and renounce an additional $282,661 of qualifying expenditures prior to December 31, 2020.

(Canadian dollars)

8. Share capital

Authorized

The Company has authorized an unlimited number of common shares without par value.

Issued and outstanding:

	Number \#	Amount $
Balance at February 1, 2019	51,767,818	5,458,705
Transactions in the period:		
Issue of shares for cash (i)	5,341,102	1124,070
Share issue costs (i)	-	(105,454)
Issue of shares for property (ii)	101,041	23,239
Balance at January 31, 2020	57,209,961	6,500,560
Balance at February 1, 2020	57,209,961	6,500,560
Transactions in the period:		
Exercise of Stock Options	25,000	9,276
Issue of shares for property (ii)	400,000	126,000
Balance at July 31, 2020	57,634,961	6,635,836

i. During December 2019, the Company completed a private placement financing (the "2019 Private Placement") and issued 1,157,935 units (the "2019 Units") at a price of $0.23 and 4,183,167 flow through shares (the "2019 FT Shares") at a price of $0.30 (together, the "2019 Offering") for total proceeds of $1,521,275. Each Unit was comprised of one common share and one-half common share purchase warrant (the "2019 Warrants"). Each 2019 Warrant entitles the holder to acquire one common share of the Company at a price of $0.35 at any time prior to June 20, 2021 (the "Warrant Term"). If the closing share price of the Company's common shares on the TSX Venture Exchange is greater than $0.50 per common share for a period of 20 consecutive trading days at any time during the Warrant Term, the Company may accelerate the expiry date of the Warrant Term by issuing a press release announcing the reduced Warrant Term where upon the 2019 Warrants and 2019 Finder Warrants will expire on the 30th calendar day after the date of the press release. The 2019 Unit proceeds were allocated pro-rata between the common shares and the warrants based on the relative fair value of each with $22,630 allocated to the 2019 Warrants. The following assumptions were used in the Black-Scholes valuation of the 2019 Warrants: risk-free interest rate of 1.70%, expected dividend yield of 0%, expected stock volatility of 53% and an expected life of 1.38 years.

   In connection with the 2019 Private Placement, the Company issued 299,517 Finder Warrants (the "2019 Finder Warrants") and paid cash finders' fees aggregating $86,389. Each 2019 Finder Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.35 per share during the Warrant Term. The 2019 Finders Warrants are valued at $12,711 with $179 being allocated as 2019 Warrant issue costs. The fair value of the 2019 Finders Warrants issued was determined to be $0.04 per warrant using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.78%, expected dividend yield of 0%, expected stock volatility of 54% and an expected life of 0.96 years.

(Canadian dollars)

ii) Pursuant to the MJ Option Agreement, the Company issued 101,041 common shares at a price of $0.23 per share in June 2019. Pursuant to the Cross Hill Option Agreement, the Company issued 400,000 common shares at a price of $0.315 per share in February 2020. These transactions have been capitalized to their respective exploration and evaluation assets.

9. Warrants

The following is a summary of warrant activity for the periods ended July 31, 2020 and January 31, 2020:

	Number \#	Amount $	Weighted average exercise price $
Balance at February 1, 2019	2,236,227	160,232	0.40
Transactions in the Period:			
Issued for cash (note (i))	578,968	22,630	0.35
Warrant issue costs (note (i))	–	(1,146)	–
Broker warrants issued (note (i))	299,517	12,712	0.35
Balance at January 31, 2020	3,114,712	194,428	0.39
Balance at February 1, 2020	3,114,712	194,428	0.39
Transactions in the Period:			
Expired	(2,236,227)	(160,233)	0.40
Balance at July 31, 2020	**878,485**	**34,195**	**0.35**

Notes:

i. During December 2019, the Company issued 578,968 common share purchase warrants and 299,517 Finders' Warrants expiring on June 20, 2021 in connection with the 2019 Private Placement (see note 7 i)).

The following is a summary of warrants outstanding at July 31, 2020:

Description	Number	Exercise Price	Expiry Date (see note)
2019 Warrants	578,968	$0.35	June 20, 2021(i)
2019 Finders Warrants	299,517	$0.35	June 20, 2021(i)

Notes:

i. If the closing share price of the Company's common shares on the TSX Venture Exchange is greater than $0.50 per common share for a period of 20 consecutive trading days at any time during the Warrant Term, the Company may accelerate the expiry date of the Warrant Term by issuing a press release announcing the reduced Warrant Term where upon the 2019 Warrants and 2019 Finder Warrants will expire on the 30th calendar day after the date of the press release.

10. Stock options

The Company has adopted a stock option plan pursuant to which it may from time to time, at its discretion, and in accordance with Exchange requirements, grant to directors, officers and technical consultants, options (collectively, the "Stock Options") to purchase common Shares, exercisable for a period of up to five years from the date of grant, provided that the number of common shares reserved for issuance does not exceed 10% of the Company's issued and outstanding common shares. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares in any 12-month period, and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares in any 12-month period. Stock Options may be exercised until the earlier of 5-years following the date of grant and 90 days following cessation of an optionee's position with the Company.

(Canadian dollars)

The following is a summary of stock option activity for the periods ended July 31, 2020 and January 31, 2020:

	Number of options	Weighted average exercise price
Balance at February 1, 2019	4,955,000	$0.20
Transactions during the period:	-	-
Balance at January 31, 2020	4,955,000	$0.20
Balance at February 1, 2020	4,955,000	$0.20
Transactions during the period:		
Cancelled	(250,000)	$0.36
Exercised	(25,000)	$0.20
Balance at July 31, 2020	4,680,000	$0.19

As at July 31, 2020, the Company has outstanding stock options entitling the holders to acquire common shares as follows:

Weighted average exercise price $	Number of options #	Number exercisable #	Weighted average contractual life $
0.07	1,600,000	1,600,000	0.3
0.28	1,225,000	1,225,000	1.5
0.205	1,080,000	1,080,000	2.4
0.29	775,000	775,000	3.5
0.20	4,680,000	4,680,000	1.7

As at July 31, 2020, 1,083,496 options remained available for future grants under the plan (January 31, 2020 – 765,996).

11. Related party transactions

Each of the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have contractually agreed to an interest free long-term deferral of a portion of their salary or fees and have also voluntarily agreed to an interest free short-term deferral of a further portion of their salary or fees. The salary deferral component extends to a date to be mutually agreed upon between the CEO, the CFO and the Board of Directors and may be settled through a combination of cash and shares. The salary deferral components owed are considered to be interest-free loans provided to the Company.

Included in amounts due to related parties at July 31, 2020 is $840,475 (January 31, 2020 - $812,975) payable to the CEO related to a long-term deferral agreement and included in long-term liabilities

Included in amounts due to related parties at July 31, 2020 is $329,050 (January 31, 2020 - $317,050) payable to the CFO, including $315,250 (January 31, 2020 - $303,250) related to a long-term deferral agreement and included in long-term liabilities and $13,800 (January 31, 2020 - $13,800) related to current amounts due and included in current liabilities.

Notwithstanding the contractual terms of these interest-free arrangements, particularly the fact that there is no fixed repayment date, the amounts subject to the long-term deferral agreement are not expected to be paid for a period of approximately one-year. Accordingly, these amounts have been re-measured to reflect the fair value resulting in a decrease to the liability of $54,606 (January 31, 2020 - $52,720) and a corresponding gain on revaluation of amounts due to related parties, net of accretion expense, in the amount of $10,497 for the six months ended July 31, 2020 (July 31, 2019 $11,273). The difference between the carrying value and the principle value of amounts due to related parties will be accreted as an expense over the expected term of the deferrals using the effective interest rate method with an implied interest rate of 5%. The discounted amounts subject to the long-term deferral agreement are included as long-term liabilities as there is no obligation to pay these amounts within the next 12 months.