

Engineer Gold Mines Ltd.



ENGINEER GOLD
MINES LTD.

EAU:TSX.V

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

August 31, 2020

These unaudited condensed interim financial statements of Engineer Gold Mines Ltd. for the nine months ended August 31, 2020 have been prepared by management and approved by the Board of Directors.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

ENGINEER GOLD MINES LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	August 31, 2020	November 30, 2019
ASSETS		
Current		
Cash	\$ 166,175	\$ 735
Receivables	82,637	112,435
Prepaid expenses	<u>362,696</u>	<u>3,000</u>
Total Current Assets	611,508	116,170
Equipment (Note 4)	154,854	180,535
Reclamation Bonds (Note 5)	75,000	75,000
Exploration and evaluation assets (Note 6)	2,887,874	2,775,486
Due from related party (Note 11)	<u>-</u>	<u>15,136</u>
Total Assets	<u>\$ 3,729,236</u>	<u>\$ 3,162,327</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current		
Accounts payable (Note 11)	\$ 174,764	\$ 379,461
Accrued liabilities	-	15,000
Due to related parties (Note 11)	<u>83,648</u>	<u>61,739</u>
	<u>258,412</u>	<u>456,200</u>
CEBA Loan (Note 12)	<u>40,000</u>	<u>-</u>
	<u>298,412</u>	<u>456,200</u>
EQUITY		
Share capital (Note 7)	4,631,021	3,366,101
Share subscriptions	-	300,000
Reserves (Note 7)	763,577	269,052
Deficit	<u>(1,963,774)</u>	<u>(1,229,026)</u>
Total Equity	<u>3,430,824</u>	<u>2,706,127</u>
Total Liabilities and Equity	<u>\$ 3,729,236</u>	<u>\$ 3,162,327</u>

Nature and continuance of operations (Note 1)

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

ENGINEER GOLD MINES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Three months Ended August 31, 2020	Three months Ended August 31, 2019	Nine months Ended August 31, 2020	Nine months Ended August 31, 2019
EXPENSES				
Amortization (Note 4)	\$ 11,135	\$ 11,247	\$ 33,181	\$ 27,972
Bank charges and interest	8,023	1,618	14,122	2,762
Filing and transfer agent fees	13,740	3,139	24,095	11,996
Management fees (Note 11)	15,000	45,000	45,000	130,000
Office and miscellaneous	14,372	5,990	31,495	15,969
Professional fees	5,313	346	10,539	12,146
Salaries and wages (Note 11)	119,885	61,708	168,727	95,012
Stock based compensation	208,375	500	213,125	3,833
Travel, trade shows and promotion	<u>154,633</u>	<u>88,875</u>	<u>194,464</u>	<u>126,242</u>
Net income (loss) and comprehensive income (loss) for the period	<u>(550,476)</u>	<u>(218,423)</u>	<u>(734,748)</u>	<u>(425,932)</u>
Basic and diluted net income (loss) per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	<u>55,681,403</u>	<u>25,013,525</u>	<u>42,066,738</u>	<u>21,991,262</u>

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

ENGINEER GOLD MINES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share Capital		Share Subscriptions	Share based payment reserve	Deficit	Total Shareholders' Equity
	Common Shares	Amount				
Balance, November 30, 2018	20,463,525	\$ 2,046,353	\$ -	\$ 98,167	\$ (544,663)	\$ 1,599,857
Issue of shares for cash, private placements, net	8,790,000	748,028	-	62,252	-	810,280
Share subscriptions	-	-	84,000	-	-	-
Share-based payments	-	-	-	3,833	-	3,833
Comprehensive loss for the period	-	-	-	-	(425,932)	(425,932)
Balance, August 31, 2019	29,253,525	\$ 2,794,381	\$ 84,000	\$ 164,252	\$ (970,595)	\$ 2,072,036
Balance, November 30, 2019	35,706,725	\$ 3,366,101	\$ 300,000	\$ 269,052	\$ (1,229,026)	\$ 2,706,127
Issue of shares for cash, private placements, net (Note 7)	24,666,666	1,339,800	-	281,400	-	1,621,200
Share issue costs - cash	-	(84,160)	-	-	-	(84,160)
Share subscriptions	-	-	(300,000)	-	-	(300,000)
Shares issued for exercise of warrants	92,800	9,280	-	-	-	9,280
Share-based payments (Note 8)	-	-	-	213,125	-	213,125
Comprehensive loss for the period	-	-	-	-	(734,748)	(734,748)
Balance, August 31, 2020	60,466,191	\$ 4,631,021	\$ -	\$ 763,577	\$ (1,963,744)	\$ 3,430,824

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

ENGINEER GOLD MINES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	For the period ended August 31, 2020	For the period ended August 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (734,748)	\$ (425,932)
Items not affecting cash:		
Share based payments	410,365	66,085
Amortization	33,181	27,972
Changes in non-cash working capital items:		
Receivables	44,934	(9,817)
Prepaid expenses	(359,696)	(3,415)
Accounts payable and accrued liabilities	<u>24,594</u>	<u>3,525</u>
Net cash used in operating activities	<u>(581,370)</u>	<u>(341,582)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment	(7,500)	(91,980)
Exploration and evaluation asset expenditures	(356,679)	(484,036)
Reclamation bond	<u>-</u>	<u>(20,000)</u>
Net cash used in investing activities	<u>(364,179)</u>	<u>(596,016)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
CEBA Loan	40,000	-
Issuance of shares, net	1,349,080	748,028
Subscription receipts	(300,000)	84,000
Related party loans and advances, net of receivables	<u>21,909</u>	<u>67,971</u>
Net cash provided by financing activities	<u>1,110,989</u>	<u>899,999</u>
Change in cash during the period	165,440	(37,599)
Cash, beginning of period	<u>735</u>	<u>84,999</u>
Cash, end of period	<u>\$ 166,175</u>	<u>\$ 47,400</u>
Supplementary Cash Flow Information:		
Non-cash Financing And Investing Activities:		
Exploration and evaluation costs included in accounts payable	\$ 118,138	\$ 200,436
Fair value of agents warrants issued	\$ 278,200	\$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on January 17, 2018 under the laws of the Province of British Columbia, Canada. The Company was a wholly-owned subsidiary of Blind Creek Resources Ltd. (“Blind Creek”), a TSX Venture Exchange (“TSX-V”) listed company, until June 1, 2018, when it was spun-out of Blind Creek by way of a plan of arrangement (the “Arrangement”) as a separate entity. The Company obtained its initial listing on the TSX-V on June 26, 2018. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company’s head office, principal address and registered records office is located at 804 – 750 West Pender St, Vancouver, British Columbia, Canada V6C 2T7.

The Company’s financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

Several conditions cast doubt on the validity of this assumption. The Company has incurred a loss since inception and has an accumulated deficit of \$1,413,298. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

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

Statement of Compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for certain financial instruments 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. These financial statements are presented in Canadian dollars unless otherwise noted.

2. BASIS OF PRESENTATION (continued)

Approval of the financial statements

The financial statements of the Company for the period ended August 31, 2020 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 27, 2020.

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

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

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The recorded value of provisions. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

3. SIGNIFICANT ACCOUNTING POLICIES

Equipment

Equipment is recorded at cost less accumulated amortization, with amortization calculated on a declining balance basis at the following annual rates:

Field equipment	20%
Mobile equipment	30%
Building improvements	6%

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are identified and written off. The assets' residual values, amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to items of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance.

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

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

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of tangible assets

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that 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.

Loss per share

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

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income 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, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and 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 the 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 (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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

Financial asset / liability	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Due from related party	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no reclassification to the opening accumulated deficit as of December 1, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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 statements of loss and comprehensive loss. 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 statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(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 statements of loss and comprehensive loss, 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

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.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED AUGUST 31, 2020
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New or revised accounting standards not yet adopted

IFRS 16 - In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not entered into any leases and the new standard will have no effect on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. EQUIPMENT

	Building Improvements	Mobile Equipment	Field Equipment	Total
Cost				
Balance at November 30, 2018	\$ -	\$ 95,200	\$ 26,447	\$ 121,647
Additions	-	27,330	90,688	118,019
Balance at November 30, 2019	\$ -	\$ 122,530	\$ 117,135	\$ 239,665
Additions	7,500	-	-	7,500
Balance at August 31, 2020	\$ 7,500	\$ 122,530	\$ 117,135	\$ 247,165
Accumulated amortization				
Balance at November 30, 2018	\$ -	\$ 14,280	\$ 2,645	\$ 16,925
Amortization	-	28,376	13,829	42,205
Balance at November 30, 2019	\$ -	\$ 42,656	\$ 16,474	\$ 59,130
Amortization	112	17,970	15,099	33,181
Balance at August 31, 2020	\$ 112	\$ 60,626	\$ 31,573	\$ 92,199
Net book value				
Balance at November 30, 2019	\$ -	\$ 79,874	\$ 100,661	\$ 180,535
Balance at August 31, 2020	\$ 7,388	\$ 61,904	\$ 85,562	\$ 154,854

5. RECLAMATION BONDS

The Company has reclamation bond held in trust by the Ministry of Energy and Mines, British Columbia. As at August 31, 2020, the reclamation bonds consisted of three deposits of \$50,000, \$5,000, and \$20,000 made by the Company for indemnification of site restoration of the Company's Tagish Lake/Wann River and Atlin properties (Note 6).

6. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Exploration and evaluation asset costs and activity is as follows:

Acquisition	\$ 1,286,353
Property exploration expenditures	
Balance, beginning of year	209,798
Assay	33,684
Camp	368,528
Dewatering	95,560
Drilling	334,571
Equipment	177,178
Geological	296,609
Reporting	5,138
Survey	10,027
Exploration Tax Credit	(41,960)
	1,489,133
November 30, 2019	\$ 2,775,486

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED AUGUST 31, 2020
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition	\$ 1,286,353
Property exploration expenditures	
Balance, beginning of year	1,489,133
Assay	31,296
Camp	87,122
Dewatering	1,695
Drilling	6,800
Equipment	36,264
Geological	177,568
Reporting	13,623
Exploration Tax Credit	(241,980)
	1,601,521
August 31, 2020	\$ 2,887,874

Engineer Project, B.C.

The Engineer Project is made up of claims and crown grants located in the Atlin Mining Division of British Columbia. The project includes two project areas referred to as Tagish Lake/Wann River and Atlin. The Engineer property was transferred to the Company from Blind Creek at fair value as a part of the Arrangement (Note 7).

7. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

Issued during the period ended August 31, 2020:

On July 23, 2020, the Company closed a non-brokered private placement of 8,333,333 units at \$0.06 per unit for gross proceeds of \$500,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.12 per share for a period of 30 months. The Company paid \$37,360 in cash commissions and issued 622,667 broker Units on this tranche. Broker units are exercisable at \$0.09 per unit into 622,667 common shares and 311,334 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of finders units was estimated at \$77,833 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.09 and warrant \$0.15 ; ii) expected share price volatility of 107%; iii) risk free interest rate of 0.275%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

On July 15, 2020, the Company closed a non-brokered private placement of 13,333,333 units at \$0.06 per unit for gross proceeds of \$800,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.12 per share for a period of 30 months. The Company paid \$43,600 in cash commissions and issued 726,667 broker Units on this tranche. Broker units are exercisable at \$0.09 per unit into 726,667 common shares and 363,334 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of finders units was estimated at \$83,567 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.09 and warrant \$0.15 ; ii) expected share price volatility of 107%; iii) risk free interest rate of 0.28%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

7. SHARE CAPITAL (continued)

On December 18, 2019, the Company closed a non-brokered private placement of 3,000,000 units at \$0.10 per unit for gross proceeds of \$300,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. Residual value of \$120,000 was charged to share based payment reserve on this issuance. The Company paid \$8,000 in cash commissions and issued 80,000 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 80,000 common shares and 40,000 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of finders units was estimated at \$3,200 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.10 and warrant \$0.15 ; ii) expected share price volatility of 92%; iii) risk free interest rate of 1.74%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

Issued during the year ended November 30, 2019:

On July 3, 2019, the Company closed a non-brokered private placement tranche of 5,590,000 units at \$0.10 per unit for gross proceeds of \$559,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$43,120 in cash commissions and issued 431,200 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 431,200 common shares and 215,600 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of finders units was estimated at \$36,652 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.10 and warrant \$0.15 ; ii) expected share price volatility of 94%; iii) risk free interest rate of 1.47%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

On August 6, 2019, the Company closed a non-brokered private placement tranche of 3,200,000 units at \$0.10 per unit for gross proceeds of \$320,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$25,600 in cash commissions and issued 256,000 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 256,000 common shares and 128,000 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of finders units was estimated at \$25,600 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.10 and warrant \$0.15 ; ii) expected share price volatility of 91%; iii) risk free interest rate of 1.32%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

On September 6, 2019, the Company closed a non-brokered private placement tranche of 4,353,200 units at \$0.10 per unit for gross proceeds of \$435,320. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$17,760 in cash commissions and issued 177,600 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 177,600 common shares and 88,800 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of finders units was estimated at \$17,760 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.10 and warrant \$0.15 ; ii) expected share price volatility of 90%; iii) risk free interest rate of 1.46%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

ENGINEER GOLD MINES LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 PERIOD ENDED AUGUST 31, 2020
 (Expressed in Canadian Dollars)
 (Unaudited – prepared by management)

7. SHARE CAPITAL (continued)

On September 30, 2019, the Company closed a non-brokered private placement of 2,100,000 units at \$0.10 per unit for gross proceeds of \$210,000. Each Unit entitled the holder to receive one common share of the Company and one half common share purchase warrant, with each whole warrant exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The Company paid \$15,040 in cash commissions and issued 150,400 broker Units on this tranche. Broker units are exercisable at \$0.10 per unit into 150,400 common shares and 75,200 warrants exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of 30 months. The fair value of finders units was estimated at \$15,040 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per unit of \$0.10 and warrant \$0.15 ; ii) expected share price volatility of 91%; iii) risk free interest rate of 1.55%; iv) no dividend yield, v) expected life of 2.5 years and vi) fully vested on grant.

The Company received \$300,000 as subscriptions for a private placement that closed on December 18, 2019. The Company incurred share issuance costs of \$8,000 during the current year relating to the private placement.

Share-based payment reserve

The share-based payment reserve represents the fair value of stock options and finders units with embedded warrant until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

8. STOCK OPTIONS

The Company has a rolling stock option plan (the “plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan.

A summary of the changes in options follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, November 30, 2018	2,040,000	\$ 0.10
Issued	1,300,000	0.15
Balance, November 30, 2019	3,340,000	\$ 0.12
Issued	3,250,000	0.12
Expired/Cancelled	(2,190,000)	0.10
Balance, August 31, 2020	4,400,000	\$ 0.13

As at August 31, 2020 the following options were outstanding:

Total Number of Options	Exercise Price	Expiry Dates
1,150,000	\$ 0.15	September 11, 2021
500,000	\$ 0.10	May 12, 2023
2,750,000	\$ 0.12	July 23, 2023
4,400,000		

As at August 31, 2020 the weighted average remaining contractual life of the stock options was 2.38 years and the weighted average exercise price was \$0.13 (August 31, 2019: 1.22 years and \$0.10).

ENGINEER GOLD MINES LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 PERIOD ENDED AUGUST 31, 2020
 (Expressed in Canadian Dollars)
 (Unaudited – prepared by management)

8. STOCK OPTIONS (continued)

On July 24, 2020 the Company granted 2,750,000 incentive stock options to a director exercisable for a period of three years at a price of \$0.12 per share. The fair value of the options granted was estimated on the date of grant in the amount of \$192,500 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per share of \$0.12; ii) expected share price volatility of 100%; iii) risk free interest rate of 0.28%; iv) no dividend yield, v) expected life of 3 years and vi) fully vested on grant

On May 13, 2020 the Company granted 500,000 incentive stock options to a director exercisable for a period of three years at a price of \$0.10 per share. The fair value of the options granted was estimated on the date of grant in the amount of \$15,000 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per share of \$0.10; ii) expected share price volatility of 100%; iii) risk free interest rate of 0.78%; iv) no dividend yield, v) expected life of 3 years and vi) fully vested on grant.

On September 11, 2019 the Company granted 1,300,000 incentive stock options to directors, officers and consultants exercisable for a period of two years at a price of \$0.15 per share. The fair value of 1,200,000 the options granted was estimated on the date of grant in the amount of \$72,000 using the Black-Scholes Option Pricing model with the following assumptions: i) exercise price per share of \$0.15; ii) expected share price volatility of 94%; iii) risk free interest rate of 1.58%; iv) no dividend yield, v) expected life of 2 years and vi) fully vested on grant. The remaining 100,000 incentive stock options were granted to an individual providing IR services with the same exercise period and price. The fair value was estimated at \$6,000 using the Black-Scholes Option Pricing Model with the above assumptions except vi) vesting over one year. The total fair value recorded on these stock options during the year ended November 30, 2019 was \$75,833.

9. WARRANTS

A summary of the changes in warrants follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, November 30, 2018	3,800,000	\$ 0.15
Issued	8,636,800	0.14
Balance, November 30, 2019	12,436,800	\$ 0.15
Issued	13,809,068	0.13
Exercised	(92,800)	0.10
Balance, August 31, 2020	26,153,068	\$ 0.13

During the quarter ended August 31, 2020 a total of 92,800 finders unit warrants were exercised at \$0.10 for proceeds of \$9,280. A total of 46,400 additional warrants exercisable at \$0.15 with the same expiry dates as the original units were issued on exercise.

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED AUGUST 31, 2020
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

9. WARRANTS (continued)

As at August 31, 2020 the following share purchase warrants were outstanding:

Total Number of Warrants	Exercise Price	Expiry Date
2,795,000	\$ 0.15	January 4, 2022
348,400	\$ 0.10	January 4, 2022
41,400	\$ 0.15	January 4, 2022
1,600,000	\$ 0.15	February 7, 2022
246,000	\$ 0.10	February 7, 2022
5,000	\$ 0.15	February 7, 2022
2,176,600	\$ 0.15	March 7, 2022
177,600	\$ 0.10	March 7, 2022
1,050,000	\$ 0.15	April 2, 2022
150,400	\$ 0.10	April 2, 2022
1,500,000	\$ 0.15	June 19, 2022
80,000	\$ 0.10	June 19, 2022
3,800,000	\$ 0.15	June 1, 2023 *
6,666,667	\$ 0.12	January 16, 2023
726,667	\$ 0.09	January 16, 2023
4,166,667	\$ 0.12	January 24, 2023
622,667	\$ 0.09	January 24, 2023
26,153,068		

* On May 7, 2020 warrants with an original expiry date of June 1, 2020 were extended to June 1, 2023. No valuation adjustment amount was recorded.

As at August 31, 2020 the weighted average remaining contractual life of the share purchase warrants was 2.09 years and the weighted average exercise price was \$0.13 (August 31, 2019: 1.71 years and \$0.15).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at the statement date the fair value of cash held by and for the Company was based on level 1 inputs of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. The Company believes it has no significant credit risk. Credit risk on cash is assessed as low. There is nominal risk associated with receivables as this is primarily from a government agency.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk which has been assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is not exposed to market risk as all of the Company's financial assets and liabilities are denominated in Canadian dollars and there are no debts that would be affected by interest rate changes. As such, market risk has been assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty. Given the short-term nature of the Company's financial instruments, fluctuations in interest rates do not have a significant impact on estimated fair values as at the statement date.

Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

11. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	August 31, 2020		August 31, 2019	
Management fees by officer	\$	45,000	\$	135,000
Administration fee by officer		16,500		-
Salary to officers		26,750		6,750
Total	\$	88,250	\$	141,750

ENGINEER GOLD MINES LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 PERIOD ENDED AUGUST 31, 2020
 (Expressed in Canadian Dollars)
 (Unaudited – prepared by management)

11. RELATED PARTY TRANSACTIONS (continued)

b) Due to related parties balances consisted of the following:

	August 31, 2020	August 31, 2019
Officers	\$ -	\$ 8,750
Major shareholder	79,128	91,333
Company related by common directors	4,520	-
Company controlled by a major shareholder	-	501
Total	\$ 83,648	\$ 100,584

The amounts due to the related parties have no specific terms of repayment, is unsecured and non-interest-bearing. The amount due to a company controlled by a major shareholder is included in accounts payable and accrued liabilities.

c) Due from related parties balances consisted of the following:

	August 31, 2020	August 31, 2019
Company related by common directors	\$ -	\$ 18,286

The amount due from the related party has no specific terms of repayment, is unsecured and non-interest-bearing.

d) Stock based compensation on grant of options: During the period ended August 31, 2020 the Directors and officers were granted options with a recorded stock based compensation fair value of \$127,000 (August 31, 2019: \$Nil) using the Black-Scholes Option Pricing Model (Note 8).

12. CEBA LOAN

In April 2020 the Company received a loan of \$40,000 through the Canadian Emergency Business Account Program (“CEBA Loan”), which provides financial relief for Canadian small businesses during the COVID-19 pandemic. The CEBA Loan has an initial term date on December 31, 2022 (the “Initial Term Date”) and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the Initial Term Date and 5% per annum thereafter during any extended term, which is calculated daily and paid monthly. The CEBA Loan can be repaid at any time without penalty and, if at least 75% of the CEBA Loan is paid prior to the Initial Term Date, the remaining balance of the CEBA Loan will be forgiven.

13. SUBSEQUENT EVENTS

The Company continues to work towards a definitive agreement for the acquisition of the Tag property, which adjoins its Engineer Gold Mine property, based on the key terms outlined in the binding Memorandum of Understanding which outlines the following considerations to Taku Gold Corp. in exchange for the TAG Property:

- \$200,000 in cash, with \$100,000 (paid) and an additional \$100,000 due on or before November 30, 2020;
- \$270,000 in shares based on the issuance of 2,000,000 common shares of Engineer at \$0.135 within five days of applicable stock exchange approvals of a definitive agreement;
- \$250,000 in advance royalty payments over ten years, payable in cash or shares;
- \$500,000 payment upon on completion of a Preliminary Economic Assessment or Feasibility Study that includes mineral resources located within the Property; and
- A 1.0% Net Smelter Return royalty, which can be purchased by Engineer for \$1,000,000 in cash.