



Three and Six Months Ended October 31, 2020

**Unaudited Interim Condensed Consolidated Financial
Statements**

(Expressed in Canadian Dollars)

(Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BTU Metals Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	October 31, 2020 \$	April 30, 2020 \$
ASSETS			
CURRENT			
Cash		2,908,149	1,203,061
Commodity Tax Recoverable		67,943	121,500
Prepaid		34,752	18,157
Total Current Assets		3,010,844	1,342,718
NON-CURRENT			
Mineral Properties	6	8,010,953	7,082,983
TOTAL ASSETS		11,021,797	8,425,701
LIABILITIES			
CURRENT			
Accounts Payable and Accrued Liabilities	8	223,387	136,293
Total Current Liabilities		223,387	136,293
LONG TERM DEBT			
Flow-Through Share Premium Liability	7 (b)	444,413	268,111
TOTAL LIABILITIES		667,800	404,404
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share Capital	7 (b)	11,045,741	9,219,107
Reserves	7(c) & 7(d)	3,042,783	1,971,289
Deficit		(3,734,527)	(3,169,099)
		10,353,997	8,021,297
TOTAL LIABILITIES AND SHAREHOLER'S EQUITY		11,021,797	8,425,701

Basis of Preparation and Going Concern (Note 2)

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

Approved on behalf of the Board:

"Paul Wood"
Paul Wood, Director

"Michael England"
Michael England, Director

BTU Metals Corp.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Three and Six Months ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital \$	Reserves \$	Deficit \$	Total Shareholders' Equity \$
Balance, April 30, 2019	54,078,235	\$ 3,664,916	\$ 1,059,284	\$ (2,618,194)	\$ 2,106,006
Comprehensive Loss For The Period	-	-	-	(392,574)	(392,574)
Private Placement	11,000,000	1,053,709	431,616	-	1,485,325
Share Issuance Costs - cash	593,278	(28,350)	-	-	(28,350)
Share Issuance Costs - warrants	-	(85,671)	85,671	-	-
Share issued for property payments	250,000	30,750	-	-	30,750
Share-Based Compensation	-	-	208,328	-	208,328
Shares issued on exercise of options	450,000	35,500	-	-	35,500
Carrying value of options exercised	-	11,920	(11,920)	-	-
Shares issued on exercise of warrants	1,082,000	107,920	-	-	107,920
Carrying value of warrants exercised	-	27,826	(27,826)	-	-
Balance October 31, 2019	67,453,513	4,818,520	1,745,153	(3,010,768)	3,552,905
Comprehensive Loss For The Period	-	-	-	(158,331)	(158,331)
Private Placement	5,425,000	1,383,495	244,022	-	1,627,517
Flow-Through Share Premium	-	(651,000)	-	-	(651,000)
Finder's fee shares	-	91,958	-	-	91,958
Share Issuance Costs -cash	-	(80,500)	-	-	(80,500)
Share Issuance Costs - finder shares	-	(91,958)	-	-	(91,958)
Share issuance costs - Broker Warrants	-	(22,669)	22,669	-	-
Share issued for property payments	9,620,000	2,662,600	-	-	2,662,600
Share-Based Compensation	-	-	302,690	-	302,690
Shares issued on option exercise	975,000	105,000	-	-	105,000
Carrying value of options exercised	-	68,137	(68,137)	-	-
Shares issued on exercise of warrants	5,646,452	660,416	-	-	660,416
Carrying value of warrants exercised	-	275,108	(275,108)	-	-
Balance, April 30, 2020	89,119,965	9,219,107	1,971,289	(3,169,099)	8,021,297
Comprehensive Loss For The Period	-	-	-	(565,428)	(565,428)
Private Placement	10,300,000	1,492,594	644,406	-	2,137,000
Share Issuance Costs -cash	-	(19,489)	-	-	(19,489)
Share issuance Costs - common shares	-	(42,000)	-	-	(42,000)
Share issued for property payments	170,000	33,300	-	-	33,300
Share-Based Compensation	-	-	551,475	-	551,475
Shares issued on option exercise	1,175,000	94,000	-	-	94,000
Carrying value of options exercised	-	59,605	(59,605)	-	-
Shares issued on exercise of warrants	1,050,604	143,842	-	-	143,842
Carrying value of warrants exercised	-	64,782	(64,782)	-	-
Balance, October 31, 2020	101,815,569	11,045,741	3,042,783	(3,734,527)	10,353,997

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

BTU Metals Corp.**Consolidated Statements of Comprehensive Loss**

For the Three and Six Months ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

		Three months Ended October 31, 2020	Three months Ended October 31, 2019	Six Months Ended October 31, 2020	Six Months Ended October 31, 2019
Continuing Operations	Note	\$	\$	\$	\$
General and Administrative Expenses					
Bank Charges		202	366	615	725
Consulting Fees		-	1,000	-	2,750
Investor Relations	8	38,253	8,887	59,168	11,517
Management and Director Fees	8	95,000	55,500	195,270	114,040
Office, Rent, Telephone and Insurance		5,532	4,009	8,312	7,282
Professional Fees		9,151	5,820	9,273	8,274
Share-Based Compensation	7(c)	479,425	47,228	551,475	208,328
Transfer Agent and Filing Fees		6,839	7,049	38,473	12,004
Travel, Meals and Entertainment		4,934	7,818	5,534	12,654
Exploration costs		8,250	-	8,506	15,000
Net Loss For the Period before other items		647,586	137,677	876,626	392,574
Recovery of flow through premium		(308,340)	-	(311,198)	-
Net Loss and Comprehensive loss		\$339,246	\$137,677	565,428	392,574
Loss per Share for the Period					
Basic and Fully Diluted Loss per Share		\$0.01	\$0.00	\$0.01	\$0.01
Weighted Average Number of Shares Outstanding		93,835,134	67,407,861	93,507,692	63,260,393

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

BTU Metals Corp.

Consolidated Statements of Cash Flows

For the Three and Six Months ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

	Six Months Ended October 31, 2020	Six Months Ended October 31, 2019
Operating activities	\$	\$
Net loss for the period	(565,428)	(254,897)
Add (deduct) non-cash items:		
Non-cash share based payments	551,475	161,100
Non-cash recovery of Flow-Through Premium	(311,198)	-
Exploration costs	-	15,000
	<u>(325,151)</u>	<u>(78,797)</u>
Net change in non-cash working capital		
Sales tax recoverable	53,557	69,104
Prepaid expenses	(16,595)	(1,282)
Accounts payable and accrued liabilities	87,094	(91,192)
Cash flow provided by (used in) operating activities	<u>(201,095)</u>	<u>(102,167)</u>
Investing activities		
Purchase of property rights	(16,000)	-
Evaluation and exploration expenditures	(878,670)	(294,344)
Cash flow used in investing activities	<u>(894,670)</u>	<u>(294,344)</u>
Financing activities		
Issuance of common shares and warrants for cash	2,582,500	1,500,327
Share issuance costs - cash	(19,489)	(28,350)
Issuance of common shares from option exercise	94,000	-
Issuance of common shares from warrant exercise	143,842	143,420
Cash flow provided by (used in) financing activities	<u>2,800,853</u>	<u>1,615,397</u>
Net increase (decrease) in cash and cash equivalents during the period	<u>1,705,088</u>	<u>1,218,886</u>
Cash and cash equivalents at beginning of period	1,203,061	595,982
Cash and cash equivalents at end of period	<u>2,908,149</u>	<u>1,814,868</u>
Cash consist of:		
Cash	2,408,149	1,364,868
Guaranteed investment certificate	500,000	450,000
	<u>2,908,149</u>	<u>1,814,868</u>

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

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 1 – NATURE OF OPERATIONS

BTU Metals Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 28, 2008 and is currently listed on the TSX Venture Exchange, under the symbol BTU. The principal business of the Company is the exploration of mineral properties.

The address of the Company’s corporate office and principal place of business is 1240, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

The unaudited interim condensed consolidated financial statements of the Company for the three and six months ended October 31, 2020 were approved and authorized for issue by the Board of Directors on December 23, 2020.

NOTE 2 – BASIS OF PREPARATION AND GOING CONCERN

The unaudited interim condensed consolidated financial statements have been prepared in accordance to IAS 34 Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements are presented in Canadian Dollars, which is also the Company’s functional currency. The financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for net assets.

The consolidated financial statements were prepared on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for the next twelve months. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. The Company has incurred losses from inception and has an accumulated deficit of \$3,734,527 (April 30, 2020 - \$3,169,099) as at October 31, 2020.

Management of the Company anticipates that its cash on hand as at October 31, 2020 will be sufficient to cover all of its operating requirements, financial commitments, and business development priorities during the next twelve months as it relates to mineral exploration utilizing cash raised from flow-through financings. The Company does not expect that cash flows for the Company’s operations will be sufficient to cover non-exploration related expenditures. Accordingly, the Company expects that it may need to obtain further financing in the form of debt, equity, or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms.

To date there has been no determination whether the Company's interests in mineral exploration properties contain mineral reserves which are economically recoverable. The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations; and the ability of the Company to raise alternative financing; or alternatively upon the Company’s ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These conditions cast uncertainties on the Company’s ability to continue as a going concern. The financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

These unaudited interim condensed consolidated financials incorporate the financial statements of the Company and its wholly controlled subsidiary, Gold Note Minerals Inc., a company incorporated in British Columbia. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The unaudited interim condensed consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated.

b) Foreign Currency Translation

The functional and reporting currencies of the Company are the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the date of the statement of financial position. Revenues and expenses denominated in foreign currencies are translated at rates of exchange prevailing on the transaction dates. All exchange gains or losses are recognized immediately in profit or loss in the period in which they are incurred.

c) Mineral Property

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until such time as these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related capitalized costs will be tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to the statement of comprehensive loss in that period.

All expenditures related to the exploration and evaluation of mineral properties are expensed to the statement of comprehensive loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are recorded as property costs or recoveries when paid or received. When recoveries exceed the carrying value of the mineral property, the excess is reflected in the statement of comprehensive loss.

d) Impairment of Non-Current Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets.

If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of a cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the Exchange on the date of the agreement.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis on relative fair values as follows: the fair value of common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

f) Share-Based Payment

The fair value method of accounting is used for share-based payment transactions. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Upon the exercise of stock options and other share-based payments, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital. The fair value of unexercised equity instruments are transferred from reserve to retained earnings upon expiry.

g) Flow-Through Shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or "premium" are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

h) Loss Per Common Share

Basic loss per common share is calculated using the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is the same as basic loss per share as the effect of issuance of shares on the exercise of stock options and warrants is anti-dilutive.

i) Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or, obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

j) Financial Instruments

The Company adopted IFRS 9 in its consolidated financial statements on May 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on May 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Financial instrument	Original classification	New Classification
Cash and cash equivalents	Loans and receivables	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

Financial assets

The Company classifies its financial assets, as amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL"). Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial assets classified as amortized cost are initially measured at fair value and are subsequently measured at amortized cost. The Company has not classified any financial assets as amortized cost.

Financial assets classified as FVTPL are initially measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company's cash and cash equivalents and accounts receivable are classified as FVTPL.

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BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are designated as FVTPV upon initial recognition. They are initially recorded at their fair market value. They are subsequently measured at their fair market value, with gains or losses recognized in the income statement. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Financial Liabilities Measured at Amortized Cost

Financial liabilities are measured at amortized cost and are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost. Subsequent to initial measurement, financial liabilities measured at amortized cost are carried at amortized cost using the effective interest method.

Transaction costs on liabilities other than those classified as FVTPL are treated as part of the carrying value of the liability. Transaction costs for liabilities at FVTPL are expensed as incurred.

i) Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period. These reclassifications have no effect on the net loss for the year ended April 30, 2019.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

a) Title to Mineral Property Interest

Although the Company has taken steps to verify title to mineral properties that it currently has under option, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

b) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information

becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

c) Impairment of Non-Current Assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors.

Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

d) Decommissioning and Restoration Provision

The decommissioning and restoration provision is based on future cost estimates using information available at the reporting date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows, and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions such as requirements of the relevant legal and regulatory framework, and the timing, extent, and costs of required decommissioning and restoration activities. Actual costs may differ from these estimates. As at April 30, 2019 and April 30, 2018, the Company has no material decommissioning and restoration provision.

e) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

f) Share-based transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

g) Flow-through shares

The Company determines the flow-through share premium by allocating the total funds received between common share and flow-through premium liability by first assessing the fair value of the common shares issued, based on market price at issuance, with any excess considered being allocated to warrants (if any) and the flow-through premium.

h) Going concern

The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

NOTE 5 –NEW ACCOUNTING PRONOUNCEMENTS

There are no new standards that are expected to have a significant impact on the Company's financial position and results of operations

NOTE 6 – MINERAL PROPERTIES

Galway Gold Property

On July 5, 2017, the Company entered into a property option agreement for Galway Gold Property in County Galway, Republic of Ireland. In return for a 100% interest in the property, the Company must make the following payments:

On May 7, 2018 the Company accelerated its purchase of 100% of Gold Note Ltd. (the parent company that owns 100% of the Galway Gold Property) through the payment of \$150,000 (paid) and the issuance of 600,000 shares (issued and valued at \$33,000), a reduction of 100,000 shares from the original share issuance commitment. The property shall be subject to a 2% net smelter return ("NSR") with the option by the Company to purchase 1.5% of the NSR for \$1,500,000 at any time after the effective date.

In March 2019, as part of its annual renewal process for the Galway Prospecting Licenses, the Company relinquished its rights to Prospecting Licenses 2301, 2647, and 3227 in order to focus its exploration activity on Prospecting Licenses 1431, 2295 and 3145.

Dixie Halo East Project

On August 24, 2018 the Company announced that it was acquiring a 100% interest in the claims comprising the Dixie Halo property from an arms-length party through the payment of \$85,000 in cash and the issuance of 750,000 shares over a 4-year period. The vendor retains a 1.5% Net Smelter Royalty ("NSR"), half of which is purchasable by BTU for \$500,000 at any time.

- On September 13, 2018, the Company issued 150,000 shares (valued at \$5,250) in the first tranche of the share issuance commitment.
- The Company is scheduled to issue the balance of the 600,000 shares in tranches of 150,000 shares on the 1st (shares have been issued), 2nd (shares have been issued), 3rd and 4th anniversaries of the first tranche of share issuance that occurred on September 13, 2018.
- On September 25, 2018, the Company paid \$10,000 in cash in the first installment of the \$85,000 in total cash payable to the vendor.
- The Company is scheduled to make the remaining cash payments annually as follows:
 - \$12,000 on or before September 25, 2019; (paid)
 - \$16,000 on or before September 25, 2020; (paid)
 - \$22,000 on or before September 25, 2021; and,
 - \$25,000 on or before September 25, 2022.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 6 – MINERAL PROPERTIES (continued)

Burnthut Project

On May 29, 2019 the Company decided not to proceed further with the acquisition of the Burnthut project. With respect to this decision, the Company entered into a termination agreement with the underlying owner. Pursuant to the termination agreement, the Company issued 100,000 common shares (valued at \$15,001) to the underlying owner on July 8, 2019, in consideration for a full release of the Company from any matter relating to or arising of its option agreement with respect to the property. As a result of this decision the Company recorded an impairment loss of \$45,100 during the year ended April 30, 2020, representing the carrying value of option payments on the Burnthut project and the capitalized exploration expenses that had been incurred on the project, and wrote down the carrying value of the Burnthut option \$nil.

Dixie Halo South Project

On November 14, 2018 the Company announced that it had received TSX Venture Exchange approval of the Dixie Halo South Project (originally announced on October 17, 2018) and was acquiring a 100% interest in the claims comprising the Dixie Halo South property from two arms-length parties through the issuance of 8,000,000 common shares as follows:

- On November 14, 2018, the Company issued 4,000,000 shares (valued at \$260,000) in the first tranche of the share issuance commitment; and,
- Issue an additional 4,000,000 common shares on or before a date that is 12 months from the TSX-Venture exchange approval date.

The Company has also agreed to incur a total of \$2,000,000 in exploration expenditures in or on the property as follows:

- i) The sum of \$1,000,000 on or before the first anniversary of closing (incurred); and,
- ii) The sum of \$1,000,000 on or before the second anniversary of closing

As at April 11, 2020 the Company had incurred expenditures totaling \$961,292. The Company entered into an extension agreement with the vendor on March 1, 2020 for an extension of time to incur the agreed upon expenditures by one month to May 11, 2020 in exchange for the issuance of 20,000 shares to the vendor. On March 20, 2020, the Company issued 20,000 common shares valued at \$2,600 extending the time to May 11, 2020 and on May 1, 2020 the Company issued 20,000 common shares valued at \$4,800 extending the timing to June 11, 2020. As at June 11, 2020 the Company had incurred in excess of \$1,000,000 in exploration expenditures on the property thereby meeting its obligations under the terms of the option agreement.

The vendors retains a 2.5% Net Smelter Royalty (“NSR”) on all minerals produced from the property. The Company has the right to acquire 1.0% NSR for cancellation at any time by paying \$2,000,000. Advanced royalty payments in the amount of \$4,000 per annum are payable on or before each anniversary date starting on the 5th anniversary date (November 14, 2023) and deducted from any royalty payments payable under the NSR.

Dixie Halo Southeast Project

On November 27, 2018 the Company announced that it had received TSX Venture Exchange approval of the Dixie Halo East Project (originally announced on October 17, 2018) and was acquiring a 100% interest in the claims comprising the Dixie Halo East property from an arms-length party through the issuance of 4,000,000 million BTU common shares as follows:

- On November 27, 2018, the Company issued 2,000,000 shares (valued at \$130,000) in the first tranche of the share issuance commitment; and,
- Issue an additional 2,000,000 shares on or before a date that is 12 months from the TSX-Venture exchange approval date.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 6 – MINERAL PROPERTIES (continued)

The Company has also agreed to incur a total of \$500,000 in exploration expenditures in or on the property as follows:

- iii) The sum of \$250,000 on or before the first anniversary of closing (incurred); and,
- iv) The sum of \$250,000 on or before the second anniversary of closing (incurred)

The vendors retains a 2.5% Net Smelter Royalty (“NSR”) on all minerals produced from the property. The Company has the right to acquire 1.0% NSR for cancellation at any time by paying \$2,000,000. Advanced royalty payments in the amount of \$2,000 per annum are payable on or before each anniversary date starting on the 5th anniversary date (November 14, 2023) and deducted from any royalty payments payable under the NSR.

Dixie Halo Southwest (Burgundy Exploration Corp.) Project

On December 7, 2018, the Company announced that it had received TSX Venture Exchange approval of the Dixie Halo Southwest Project (originally announced on November 23, 2018) through the acquisition of 100% of Burgundy Exploration Corp. in exchange for the issuance of 3,600,000 shares as follows:

- On December 7, 2018, the Company issued 1,800,000 shares (valued at \$144,000) in the first tranche of the share issuance commitment; and,
- Issue an additional 1,800,000 shares on or before a date that is 12 months from the TSX-Venture exchange approval date (issued on December 6, 2019 and valued at \$594,000).

A pre-existing 2% gross smelter royalty is applicable on the tenure being acquired under the Burgundy acquisition.

Dixie Halo Southeast Extension Project

On November 6, 2019, the Company received TSX Venture Exchange approval of the Dixie Halo Southeast Extension Project (originally announced on October 28, 2019) and that it was acquiring a 100% interest in the claims comprising the Dixie Halo Southeast Extension property from an arms-length party through the issuance of million BTU common shares as follows:

- On closing issue 600,000 common shares (issued on November 6, 2019 and valued at \$72,000) in the first tranche of the share issuance commitment; and,
- Issue an additional 1,200,000 shares on or before a date that is 12 months from the TSX-Venture exchange approval date. (Issued on January 6, 2020 and valued at \$384,000)

The Company has also agreed to incur a total of \$38,000 in exploration expenditures in or on the property as follows:

- v) The sum of \$38,000 on or before May 1, 2020 (Incurred)

The vendors retain a 2.0% Gross Smelter Royalty (GSR) on non-base metals. The Vendors have also been granted a 2% GSR on base metals, 1% of which may be bought down for \$1,000,000 within the first 7 years of closing at the option of the Company.

Dixie Halo New Claims

On December 5, 2019, the Company announced that it has been building its overall property position in the Dixie Creek area and that it expanded its Dixie Halo Property position by 238 claims covering 4,853 hectares. These claims are royalty free and not subject to any agreement. Total cost incurred to obtain the claims was \$11,900 and the Company spent an additional \$3,871 on the claims during the 6 months ended October 31, 2020.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 6 – MINERAL PROPERTIES (continued)

	Dixie Halo East	Dixie Halo South	Dixie Halo Southeast	Dixie Halo Southeast extension	Dixie Halo Southwest	Dixie Halo new claims staked	Burnthut	Galway	Total
Carrying value									
Balance April 30, 2019	\$ 30,461	402,788	130,991	-	149,882	-	-	795,362	1,509,484
Additions for cash	12,000	-	-	-	-	-	-	-	12,000
Additions for shares issued	15,750	1,402,600	210,000	456,000	594,000	-	15,001	-	2,693,351
Costs capitalized	935,476	818,504	603,693	433,071	10,582	11,900	-	69,923	2,883,149
Disposals	-	-	-	-	-	-	(15,001)	-	(15,001)
Provision for environmental remediation	-	-	-	-	-	-	-	-	-
Write-down of mineral property	-	-	-	-	-	-	-	-	-
Balance April 30, 2020	\$ 993,687	2,623,892	944,684	889,071	754,464	11,900	-	865,285	7,082,983
Additions for cash	16,000	-	-	-	-	-	-	-	16,000
Additions for shares issued	28,500	4,800	-	-	-	-	-	-	33,300
Costs capitalized	67,708	541,624	50,352	202,305	12,810	3,871	-	-	878,670
Disposals	-	-	-	-	-	-	-	-	-
Provision for environmental remediation	-	-	-	-	-	-	-	-	-
Write-down of mineral property	-	-	-	-	-	-	-	-	-
Balance October 31, 2020	\$ 1,105,895	3,170,316	995,036	1,091,376	767,274	15,771	-	865,285	8,010,953

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL

a) Authorized Capital

Unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

As at October 31, 2020, the Company had 101,815,569 common shares issued and outstanding as presented in the statements of changes in shareholders' equity.

During the six months ended October 31, 2020, the Company:

- i) On May 1, 2020, the Company issued 20,000 common shares under the terms of its extension agreement on the Dixie Halo South property acquisition agreement.
- ii) On June 11, 2020, the Company completed a non-brokered private placement of 2,600,000 units for gross proceeds of \$520,000. Each unit consists of one common share, and one-half of a common share purchase warrant. Each whole common share purchase warrant may be exercised by the holder to purchase one common share at a price of \$0.25 for a period of 24 months from closing. Finder's fees and other share issuance costs totalling \$8,150 in cash were paid to third parties. The shares and warrants comprising the units are subject to a 4 month hold period expiring October 11, 2020.

Gross proceeds from this non-brokered private placement were allocated between shares and warrants using a pro-rata method based on the fair values of shares and warrants on the date of issuance. The fair value of warrants was estimated at \$174,105 using the Black-Scholes pricing model, therefore \$345,895 of gross proceeds from this financing was allocated to common shares.

- iii) On October 8, 2020, the Company completed a non-brokered private placement of 7,500,000 flow through units for gross proceeds of \$2,062,500. Each flow through unit was comprised of one flow through common share in the capital of the Company and one-half of one common share purchase warrant on a non-flow-through basis. Each whole warrant entitles the holder to acquire one common share at a price of \$0.30 for a period of 36 months from closing. The Company issued 200,000 common shares in the capital of the Company valued at \$42,000 in lieu of finders fees and incurred share issuance costs of \$10,588.

Gross proceeds from this non-brokered private placement were allocated between shares and warrants using a pro-rata method based on the fair values of shares and warrants on the date of issuance. The fair value of warrants was estimated at \$470,301 using the Black-Scholes pricing model, therefore \$470,301 of gross proceeds from this financing was allocated to common shares. In addition, the Company valued the sale of future tax losses at \$487,500. Therefore, \$1,094,111 was allocated to common shares.

- iv) The Company issued 1,175,000 common shares for the exercise of options at \$0.08 per share for gross proceeds of \$94,000. The fair value of options exercised \$59,605 was reclassified to share capital from reserves.
- iv) The Company issued 1,050,604 common shares for the exercise of warrants at a range of \$0.10 - \$0.18 per share for gross proceeds of \$143,842. The fair value of warrants exercised \$64,782 was reclassified to share capital from reserves.

During the year ended April 30, 2020, the Company:

- i) On June 24, 2019, the Company completed a non-brokered private placement of 11,000,000 flow through units for gross proceeds of \$1,485,000. Each unit consists of one flow through common share issued at \$0.135 per share, and one-half of a straight common share purchase warrant. Each whole common share purchase warrant may be exercised by the holder to purchase one common share at a price of \$0.18 for a period of 24 months from closing. Finder's fees and other share issuance costs totalling \$28,350 in cash were paid to third parties. The Company

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL (continued)

also issued 593,278 common shares and 222,565 Broker Unit Warrants in lieu of cash finders fees. Each Broker Unit Warrant entitles the holder to purchase one common share at a price of \$0.18 for a period of 24 months from closing. The Company also issued 550,650 broker warrants to arm's length parties. Each broker warrants entitles the holder to purchase one share at a price of \$0.18 per share for a period of 24 months. The shares and warrants comprising the units and the broker units, the broker unit warrants, and broker warrants are subject to a 4 month hold period expiring October 24, 2019.

Gross proceeds from this non-brokered private placement were allocated between shares, warrants, broker units, broker unit warrants and broker warrants using a pro-rata method based on the fair values of shares and warrants on the date of issuance. The fair value of warrants was estimated at \$607,822 using the Black-Scholes pricing model, therefore \$1,053,709 of gross proceeds from this financing was allocated to common shares and \$431,291 was allocated to contributed surplus. The Common shares issued in lieu of cash were valued at \$91,858 and the

Broker Warrants and Broker Unit warrants were valued using the Black Scholes pricing model and valued at \$85,671 and allocated to contributed surplus.

- ii) On July 8, 2019, the Company issued 100,000 common shares valued at \$15,000 under the terms of the Burnthut termination agreement (Note 6).
- iii) On August 28, 2019, the Company issued 150,000 common shares valued at \$15,750 under the terms of the Dixie Halo East property option agreement (Note 6).
- iv) On November 6, 2019, the Company issued 600,000 common shares valued at \$72,000 under the terms of the Dixie Halo South East Extension property option agreement (Note 6).
- v) On November 26, 2019, the Company issued 2,000,000 common shares valued at \$210,000 under the terms of the Dixie Halo Southeast property option agreement (Note 6).
- vi) On December 6, 2019, the Company issued 1,800,000 common shares valued at \$594,000 under the terms of the Dixie Halo South West Extension property option agreement (Note 6).
- vii) On January 6, 2020, the Company issued 1,200,000 common shares valued at \$384,000 under the terms of the Dixie Halo South East Extension property option agreement (Note 6).
- viii) On January 15, 2020, the Company issued 4,000,000 common shares valued at \$1,400,000 under the terms of the Dixie Halo South property option agreement (Note 6).
- ix) On February 28, 2020, the Company completed a non-brokered private placement of 5,425,000 flow through units for gross proceeds of \$1,627,500. Each unit consists of one flow through common share issued at \$0.30 per share, and one-half of a straight common share purchase warrant. Each whole common share purchase warrant may be exercised by the holder to purchase one common share at a price of \$0.40 for a period of 24 months from closing. Finder's fees and other share issuance costs totalling \$80,502 in cash were paid to third parties. The Company also issued 198,000 Broker Unit Warrants in lieu of cash finders fees. Each Broker Unit Warrant entitles the holder to purchase one common share at a price of \$0.30 for a period of 24 months from closing. A value of \$651,000 was attributed to the flow-through premium liability in connection with the flow-through financing.

Gross proceeds from this non-brokered private placement were allocated between shares, warrants, broker units, broker unit warrants and broker warrants using a pro-rata method based on the fair values of shares and warrants on the date of issuance. The fair value of warrants was estimated at \$287,514 using the Black-Scholes pricing model, therefore \$1,383,153 of gross proceeds from this financing was allocated to common share

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL (continued)

and \$244,347 was allocated to contributed surplus. The Broker Warrants were valued using the Black Scholes pricing model and valued at \$22,669 and allocated to contributed surplus.

- x) On March 20, 2020, the Company issued 20,000 common shares, valued at \$2,600, to the optionor of the Dixie Halo South project in exchange for a 30-day extension of time to incur the agreed upon exploration expenditures (see Note 6).

The Company issued 1,425,000 common shares for the exercise of options at \$0.05 - \$0.18 per share for gross proceeds of \$140,500. The fair value of options exercised \$80,057 was reclassified to share capital from reserves.

- xi) The Company issued 6,728,452 common shares for the exercise of warrants at \$0.06 - \$0.18 per share for gross proceeds of \$768,336. The fair value of warrants exercised \$302,935 was reclassified to share capital from reserves.

c) Stock Options

As at October 31, 2020, the Company had 8,475,000 options outstanding (April 30, 2020 – 6,500,000).

During the six months ended October 31, 2020, the Company:

- i) granted 200,000 stock options to a consultant of the Company, exercisable at a price of \$0.25 per option expiring on June 11, 2022. The estimated fair value of the options was \$34,800.
- ii) granted 200,000 stock options to a consultant of the Company, exercisable at a price of \$0.30 per option expiring on January 06, 2022. The estimated fair value of the options was \$33,400.
- iii) Granted 2,750,000 stock options to officers, directors, and consultants of the Company, exercisable at a price of \$0.22. The Black scholes calc used 0.22 so no change to the value]per option, expiring on September 28, 2023. The estimated fair value of the options was \$477,800.
- iv) The Company issued 1,175,000 common shares for the exercise of options at \$0.08 per share for gross proceeds of \$94,000. The fair value of options exercised \$59,605 was reclassified to share capital from reserves.

During the year ended April 30, 2020, the Company:

- i) granted 400,000 stock options to a director of the Company, exercisable at a price of \$0.11 per option expiring on May 1, 2021. The estimated fair value of the options was \$28,600.
- ii) Granted 1,050,000 stock options to officers, directors, and consultants of the Company, exercisable at a price of \$0.18 per option, expiring on July 16, 2021. The estimated fair value of the options was \$132,500.
- iii) Granted 1,100,000 stock options to officers, directors, and consultants of the Company, exercisable at a price of \$0.10 per option, expiring on October 28, 2021. 700,000 of these options vest immediately and 400,000 vest quarterly over one-year term. The estimated fair value of the options was \$73,500, of which \$68,019 was recorded during the year ended April 30, 2020.
- iv) Granted 2,350,000 stock options to officers, directors, and consultants of the Company, exercisable at a price of \$0.25 per option, expiring on February 28, 2022. The estimated fair value of the options was \$281,900.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For The Three and Six Months Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL (continued)

A summary of the Company's stock option activity is as follows:

Stock option activity	October 31, 2020	Weighted Average Exercise price	April 30, 2020	Weighted Average Exercise price
		\$		\$
Balance – beginning of period	6,500,000	0.16	3,975,000	0.12
Granted	3,150,000	0.23	4,900,000	0.19
Exercised	(1,175,000)	(0.08)	(1,425,000)	0.10
Expired	-	-	(950,000)	0.16
Balance – end of period	8,475,000	0.20	6,500,000	0.16

As October 31, 2020, the Company had the following stock options outstanding:

Expiry date	Exercise Price	October 31, 2020 Outstanding	October 31, 2020 Exercisable
November-20-2020	\$0.10	150,000	150,000
April-17-2021	\$0.11	400,000	400,000
April-26-2021	\$0.11	225,000	225,000
July-16-2021	\$0.18	1,000,000	1,000,000
October-28-2021	\$0.10	1,000,000	1,000,000
February-28-2022	\$0.25	2,350,000	2,350,000
June-11-2022	\$0.25	200,000	200,000
June-16-2022	\$0.05	200,000	200,000
July-6-2022	\$0.30	200,000	200,000
September-28-2023	\$0.22	2,750,000	2,750,000
	\$0.20	8,475,000	8,475,000

	October 31, 2020
The outstanding options have a weighted-average exercise price of:	\$0.20
The weighted average remaining life in years of the outstanding options is:	0.72

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
For The Three and Six Months Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the six months ended October 31, 2020 and the year ended April 30, 2020:

Assumption	September 28, 2020	July 6, 2020	June 11, 2020	February 28, 2020	October 28, 2019	July 16, 2019	May 1, 2019
Share price	\$0.215	\$0.260	\$0.240	\$0.180	\$0.095	\$0.180	\$0.100
Exercise price	\$0.22	\$0.30	\$0.25	\$0.25	\$0.10	\$0.18	\$0.11
Risk-free rate	0.26%	0.29%	0.27%	1.14%	1.71%	1.56%	1.57%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	151.20%	157.32%	155.94%	150.28%	148.27%	145.40%	154.25%
Option life in years	3.00	1.50	2.00	2.00	2.00	2.00	2.00

d) Warrants

A summary of the Company's warrant activity is as follows:

	October 31, 2020	Weighted Average Exercise price	April 30, 2020	Weighted Average Exercise price
Warrant activity				
		\$		\$
Balance – beginning of period	12,521,916	0.22	10,092,653	0.12
Issued on private placements	5,050,000	0.30	8,212,500	0.25
Issued broker warrants on private placements	-	-	973,215	0.20
Exercised	(1,050,604)	(0.14)	(6,728,452)	(0.11)
Expired	-	-	(28,000)	(0.10)
Balance – end of period	16,521,312	0.25	12,521,916	0.22

As at October 31, 2020, the Company had the following warrants outstanding:

Date of Issuance	Date of Expiry	Exercise Price	October 31, 2020 Outstanding
29-March-2019	29-March-2021	\$0.15	3,080,000
24-June-2019	24-June-2021	\$0.18	5,480,812
28-February-2020	28-February-2022	\$0.30	198,000
28-February-2020	28-February-2022	\$0.40	2,712,500
10-June-2020	10-June-2023	\$0.30	1,300,000
8-October-2020	8-October-2023	\$0.30	3,750,000
			16,521,312
			October 31, 2020
The outstanding warrants have a weighted-average exercise price of:			\$0.25
The weighted average remaining life in years of the outstanding warrants is:			0.73

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of warrants issued during the six months ended October 31, 2020 and the year ended April 30, 2020:

Assumption	Oct 8, 2020	Jun 10, 2020	Feb 28, 2020	Jun 24, 2019
Share price	\$0.21	\$0.24	\$0.18	\$0.155
Exercise price	\$0.30	\$0.30	\$0.3/\$0.4	\$0.18
Risk-free rate	0.26%	0.27%	1.14%	1.40%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	150.93%	168.32%	149.87%	155.90%
Warrant life in years	3.00	3.00	2.00	2.00

NOTE 8 – RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

The aggregate value of transactions relating to key management personnel for the six months ended October 31, 2020 and 2019 were as follows:

	Six Months Ended October 31, 2020	Six Months Ended October 31, 2019
Consulting and management fees	\$ 194,620	\$ 92,338
Exploration expenses	64,969	65,656
Share-based compensation	387,150	191,725
Total short-term benefits	\$ 646,739	\$ 349,719

As at October 31, 2020, \$nil (April 30, 2020 - \$nil) was owing to key management personnel or to a company controlled by a director or key management personnel and the amounts were included in accounts payable. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

During the six months ended October 31, 2020, the Company granted a total of 2,750,000 stock options (October 31, 2019 – 1,375,000) to officers, directors, insiders and consultants of the Company, of which the fair market value was estimated at \$477,800 (October 31, 2019 - \$151,654)

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 9 – CAPITAL RISK MANAGEMENT

The Company manages its share capital as capital, which as at October 31, 2020 was \$11,045,741 (April 30, 2020 – \$9,219,107). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of operating results, changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, warrants or options, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in liquid short-term interest-bearing investments, selected with regards to the expected timing of expenditures from continuing operations.

The Company's share capital is not subject to external restrictions. There were no changes in the Company's approach to capital management during the three months ended July 31, 2020.

NOTE 10 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 3(j). The Company's risk management is coordinated in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

a) Fair Values

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1	Level 2	Level 3	October 31, 2020
Held for Trading Financial Assets				
Cash	\$2,908,149	-	-	\$2,908,149
Total Financial Assets at Fair Value	\$2,908,149	-	-	\$2,908,149

The fair values of the Company's cash, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The carrying amounts of the amount due to related party and loans payable are measured at amortized cost and approximate their fair values.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 10 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk.

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 is dependent upon the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company. The Company has a non-cash working capital deficit balance of (\$120,692) as at October 31, 2020 (April 30, 2020 – (\$3,364)) and a cash balance of \$2,9008,149 (April 30, 2020 - \$1,203,061). The Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus (the "coronavirus") and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remain unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company.

d) Interest Rate Risk

The Company's policy is to invest excess cash in guaranteed investment certificates (GIC) at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. As at October 31, 2020 the Company held \$500,000 in a redeemable GIC with interest accruing at 2.00%. There were no other interest-bearing deposits as at October 31, 2020. Fluctuations in interest rates impact the value of cash and cash equivalents. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

e) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US Dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.

f) Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings 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.

BTU Metals Corp.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For The Three and Six Months Ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows.

During the six months ended October 31, 2020:

The Company transferred \$64,782 from reserves to share capital pursuant to the exercise of 1,050,604 common share purchase warrants.

The Company transferred \$59,605 from reserves to share capital pursuant to the exercise of 1,175,000 common share purchase options.

The Company issued 20,000 common shares valued at \$4,800 Under an extension agreement of the Dixie Halo South property option agreement that was extended by 60 days in order to allow the Company sufficient time to meet the minimum exploration expenditure on the property and issued 150,000 common shares valued at \$28,500 under the terms of the Dixie Halo East Property Option Agreement.

The Company issued 200,000 common shares valued at \$42,000 in lieu of a cash finders fee on the non-brokered private placement of flow through units that closed on October 8, 2020.

During the year ended April 30, 2020:

The Company transferred \$302,935 from reserves to share capital pursuant to the exercise of 6,728,452 common share purchase warrants.

The Company transferred \$80,057 from reserves to share capital pursuant to the exercise of 1,425,000 common share purchase options.

The Company issued 100,000 common shares at a fair value of \$15,000 pursuant to the termination of the Burthut Property option.

The Company issued 150,000 common shares at a fair value of \$15,750 pursuant to the acquisition of the Dixie Halo East Property option.

The Company issued 4,020,000 common shares at a fair value of \$1,402,600 pursuant to the Dixie Halo South Property option.

The Company issued 1,800,000 common shares at a fair value of \$456,000 pursuant to the acquisition of the Dixie Halo Southeast Extension Property option.

The Company issued 2,000,000 common shares at a fair value of \$210,000 pursuant to the acquisition of the Dixie Halo Southeast Property option.

The Company issued 1,800,000 common shares at a fair value of \$594,000 pursuant to the acquisition of the Dixie Halo Southwest property.

The Company issued 593,278 common shares at a fair value of \$91,958 in lieu of a cash finders' fees.

The Company issued 973,215 finder's fees purchase warrants at a fair value of \$108,340.