DEEP SOUTH Resources Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DEEP-SOUTH RESOURCES INC.

Opinion

We have audited the consolidated financial statements of Deep-South Resources Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at August 31, 2020 and 2019;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,454,473 during the year ended August 31, 2020 and, as of that date, had an accumulated deficit of $4,037,198. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Kwan.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 17, 2020

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DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes		August 31, 2020		As at August 31, 2019
ASSETS					
Current					
Cash		**$**	**3,486**	$	9,929
GST receivable and other			**21,326**		7,946
Prepaid expenses			**20,000**		16,250
Total Current Assets			**44,812**		34,125
Exploration and evaluation assets	3		**5,297,870**		5,165,900
Investment in associate	4		**-**		315,000
Total Assets		**$**	**5,342,682**	$	5,515,025
LIABILITIES AND EQUITY					
Current					
Accounts payable and accrued liabilities	12	**$**	**603,800**	$	322,981
Consideration payable	5		**-**		400,000
Loan payable	6		**-**		35,000
Promissory note payable	7		**28,439**		-
Convertible debenture	8		**385,611**		345,984
Total Liabilities			**1,017,850**		1,103,965
Equity					
Share capital	9		**7,692,755**		6,570,504
Share subscriptions received	16		**27,000**		-
Reserves	9		**482,440**		171,100
Equity portion of convertible debt	8		**159,835**		159,835
Deficit			**(4,037,198)**		(2,490,379)
Total Equity			**4,324,832**		4,411,060
Total Liabilities and Equity		**$**	**5,342,682**	$	5,515,025

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN
NOTE 16 – SUBSEQUENT EVENTS

Approved on behalf of the Board of Directors:

/s/ Pierre Leveille — Director

/s/ Jean Luc Roy — Director

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

DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

		For the years ended August 31		
		2020		2019
EXPENSES				
Accretion (Note 8)	**$**	**45,920**	$	45,399
Consulting fees (Note 12)		**327,689**		126,116
Interest expense		**18,343**		22,592
Investor relations		**170,000**		108,902
Legal, audit and accounting		**65,382**		64,818
Office and miscellaneous		**63,215**		92,676
Regulatory and transfer agent fees		**25,320**		29,691
Share-based compensation (Notes 9 & 12)		**281,083**		-
Travel		**20,543**		-
Loss before other expenses		**(1,017,495)**		(490,194)
Other expenses				
Write-down of investment in associate (Note 4)		**(315,000)**		-
Write-down of exploration and evaluation assets (Note 3)		**(121,978)**		-
Net loss and comprehensive loss for the year	**$**	**(1,454,473)**	$	(490,194)
Loss per common share				
Basic and diluted	**$**	**(0.02)**	$	(0.01)
Weighted average number of common shares outstanding				
Basic and diluted		**75,041,745**		62,530,905

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

DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Share Capital						
	Number of shares	**Amount ($)**	**Share Subscriptions Received ($)**	**Reserves ($)**	**Equity Portion of Convertible Debt ($)**	**Deficit ($)**	**Total Equity ($)**
Balance, August 31, 2018	**54,778,357**	**5,438,084**	**29,000**	**169,300**	**159,835**	**(2,000,185)**	**3,796,034**
Shares issued in private placement	7,125,000	712,500	(29,000)	-	-	-	683,500
Share issuance costs - cash	-	(1,280)	-	-	-	-	(1,280)
Share issuance costs – warrants	-	(1,800)	-	1,800	-	-	-
Shares issued for mineral property	1,200,000	108,000	-	-	-	-	108,000
Share issued for investment in associate	3,500,000	315,000	-	-	-	-	315,000
Net loss for the year	-	-	-	-	-	(490,194)	(490,194)
Balance, August 31, 2019	**66,603,357**	**6,570,504**	**-**	**171,100**	**159,835**	**(2,490,379)**	**4,411,060**
Shares issued in private placement	13,174,000	631,740	-	26,960	-	-	658,700
Share issuance costs - cash	-	(28,545)	-	-	-	-	(28,545)
Share issuance costs – warrants	-	(3,297)	-	3,297	-	-	-
Shares issued - settlement of debt	4,352,941	522,353	-	-	-	(152,353)	370,000
Share-based compensation	-	-	-	281,083	-	-	281,083
Subscriptions received in advance	-	-	27,000	-	-	-	27,000
Convertible debt extinguishment	-	-	-	-	-	60,007	60,007
Net loss for the year	-	-	-	-	-	(1,454,473)	(1,454,473)
Balance, August 31, 2020	**84,130,298**	**7,692,755**	**27,000**	**482,440**	**159,835**	**(4,037,198)**	**4,324,832**

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

DEEP-SOUTH RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the years ended August 31, 2020	2019
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	**(1,454,473)**	(490,194)
Items not affecting cash:		
Accretion	**45,920**	45,399
Interest accrual	**15,376**	22,592
Write-down of investment in associate	**315,000**	-
Write-down of exploration and evaluation assets	**121,978**	-
Share-based compensation	**281,083**	-
Changes in non-cash working capital items:		
Prepaid expenses	**(3,750)**	(16,250)
GST receivable and other	**(13,380)**	1,080
Promissory note payable	**28,439**	-
Accounts payable and accrued liabilities	**185,753**	50,645
Net cash used in operating activities	**(478,054)**	(386,728)
CASH FLOWS USED IN INVESTING ACTIVITY		
Exploration and evaluation assets	**(120,544)**	(296,106)
Net cash used in investing activity	**(120,544)**	(296,106)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement, net of issuance costs	**630,155**	682,220
Share subscriptions received in advance	**27,000**	-
Repayment of loan payable	**(35,000)**	-
Payment of consideration payable	**(30,000)**	-
Net cash provided by financing activities	**592,155**	682,220
Change in cash during the year	**(6,443)**	(614)
Cash, beginning of year	**9,929**	10,543
Cash, end of year	**3,486**	9,929

Supplemental Cash Flow and Non-Cash Investing and Financing Activities Disclosure		
Shares issued for investment in RCR Quantum (Note 4)	**-**	315,000
Share issued for exploration and evaluation assets	**-**	108,000
Share issued for settlement of consideration payable (Note 5)	**522,353**	-
Exploration and evaluation assets in accounts payable and accrued liabilities	**160,665**	27,261
Interest accrued related to convertible debt included in accounts payable and accrued liabilities	**-**	53,714
Interest paid	**2,967**	-

The accompanying notes are an integral part of this consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Deep-South Resources Inc. (the "Company") is a development stage company incorporated on April 24, 1987 under the laws of British Columbia. The Company's head office is located at #888-700 West Georgia Street, Vancouver, British Columbia, V7Y 1G5and is listed on the TSX Venture Exchange ("TSX-V") under the symbol "DSM". The Company is in the business of exploring and evaluating mineral properties located in Africa and Turkey.

The Company's consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events may cast significant doubt on the validity of this assumption. The Company incurred net loss of $1,454,473 for the year ended August 31, 2020 (2019 - $490,194 loss) and as of that date, had an accumulated deficit $4,037,198 (2019 - $2,490,379). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the future. These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared and presented in Canadian dollars in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on December 17, 2020.

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(c) Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following entities:

- 1054137 BC Ltd., a wholly owned subsidiary of Deep-South Resources Inc.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

- Deep South Mining (PTY) Ltd., wholly owned subsidiary of 1054137 BC Ltd.
- Haib Minerals (Pty) Ltd., a wholly owned subsidiary of Deep-South Mining (PTY) Ltd.

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

(d) Investments in Associates

Associates are those entities over which the Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's proportionate share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss for the period. Distributions received from an associate are accounted for as a reduction to the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

(e) Foreign currency transactions

The Company's reporting currency and the functional currency of the Company and its subsidiaries is the Canadian dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalent using foreign exchange rates prevailing at the statement of financial position date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 **–** inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 **–** inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 **–** inputs for the asset or liability are not based on observable market data.

The Company's financial instruments are accounted for as follows.

Financial Instrument	**IFRS 9 Classification**
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized Cost
Consideration payable	Amortized Cost
Promissory note payable	Amortized Cost
Loan payable	Amortized Cost
Convertible debenture	Amortized Cost

<u>Financial assets</u>
The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Amortized cost - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

Fair value through profit or loss ("FVTPL") **-** A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL. The Company has classified its cash as FVTPL.

Fair value through other comprehensive income ("FVOCI") **-** FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of operations for the year.

<u>Financial liabilities</u>
Management determines the classification of its financial liabilities at initial recognition.

Amortized cost **-** The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

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 operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of financial assets

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

Derecognition of financial liabilities

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

(g) Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debt in Canadian dollars that can be converted to common shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have a conversion option. The conversion component , an equity instrument, is initially recognized at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and conversion components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

Modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is a least 10 percent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The consideration paid, represented by the fair value of the modified convertible debentures are allocated to the liability and equity components of the original convertible debentures at the date of the extinguishment. The method used in allocating the consideration paid and transaction costs to the separate components of the original convertible debentures is consistent with that used in the original allocation to the separate components of the original convertible debentures of the proceeds received by the Company when the original convertible debentures were issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Compound Financial Instruments (continued)

- the amount of gain or loss relating to the original liability component is recognized in profit or loss; and
- the amount of consideration relating to the original equity component is recognized in equity in reserves. The amount recognized in convertible debentures equity reserve attributable to the extinguished convertible debentures is also transferred to reserves.

(h) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. When shares are issued as consideration for exploration and evaluation asset costs, they are valued at the closing share price on the date of issuance if the fair value of the goods and services cannot be determined. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and the balance is reclassified as a development asset in property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Although the Company has taken steps to verify title to mineral properties 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 may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

(i) Impairment of Long-Lived Assets

Management is required to assess impairment in respect of capitalized exploration and evaluation assets. Note 3 discloses the carrying value of these assets at each reporting period. The triggering events for the impairment of exploration and evaluation assets are defined in IFRS 6 Exploration for and Evaluation of Mineral Resources and are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Long-Lived Assets (continued)

- such activities in the specific area;

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and

- Impairment of exploration and evaluation assets is assessed at the cash generating unit ("CGU") level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used each of its mineral properties to establish its CGUs.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. All impairment losses are recognized in profit or loss.

(j) Share Capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, with any excess value allocated to the warrants. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(k) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute 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 exercises would be used to repurchase 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. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(l) Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Provisions (continued)

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations as at August 31, 2020 and 2019.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(m) Income Taxes

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

Deferred taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position reporting date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting or taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Share-based Compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in the reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of operations and comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

Each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Share-based Compensation (continued)

All equity-settled share-based payments are reflected in reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. On expiration of options, the previously recognized amount is left in the reserves.

(o) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements require management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position and the reported amounts of expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these consolidated financial statements are discussed below:

Going Concern
The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgement based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of Exploration and Evaluation Assets
The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash-generating unit or group of cash-generating unit's level in the year the new information becomes available. Such impairment tests and recoverable value models have a degree of estimation and judgment which may differ in the future.

Impairment of Investment in Associates
At the end of each financial reporting period, the Company's management evaluates whether there is impairment of its investments in associates based on objective evidence, which includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operation. When such objective evidence is discovered, the Company writes down the value of its investment to its recoverable amount, which is the higher of fair value less cost to sell and value in use. Such impairment tests and recoverable value models have a degree of estimation and judgment which may differ in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Significant Accounting Judgments and Estimates

Convertible debt
The convertible debt is separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue.

- *The determination of the Company and its subsidiaries' functional currency*
  The functional currency of the Company and its subsidiary is the currency of the primary economic environment and the Company reconsiders the functional currency if there is a change in events and conditions which determined the primary economic environment.

- *Modification versus extinguishment of financial liability*
  Judgement is required in applying IFRS 9 *Financial Instruments* to determine whether the amended terms of the loan agreements are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

Valuation of Share-based Compensation
The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Recovery of Deferred Tax Assets
The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

Determination of Control
The Company exercises judgment in determining if it has control over its investee, which requires the Company to assess if it has: a) power over the investee, b) exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of its returns.

(p) New Accounting Standards Adopted

IFRS 16 "Leases"

The Company adopted IFRS 16 - Leases ("IFRS 16") on September 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values.

Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New Accounting Standards Adopted (continued)

***IFRS 16 "Leases"* (continued)**

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As at the date of transition, management has assessed that it does not have any leases to which IFRS 16 applies. The adoption of the new IFRS pronouncement has therefore not resulted to adjustments in previously reported figures and there has been no change to the opening deficit balance as at September 1, 2019.

3. EXPLORATION AND EVALUATION ASSETS

	Haib Property, Namibia	Kapile Tepe Property, Turkey	Total
	$	$	$
Balance, August 31, 2018	**4,761,794**	**-**	**4,761,794**
Acquisition	-	119,596	119,596
Geological	282,128	2,382	284,510
Balance, August 31, 2019	**5,043,922**	**121,978**	**5,165,900**
Geological	253,948	-	253,948
Write-down of exploration and evaluation assets	-	(121,978)	(121,978)
Balance, August 31, 2020	**5,297,870**	**-**	**5,297,870**

Haib Property, Namibia

The Company, through its wholly owned subsidiary, Haib Minerals (PTY) Ltd. ("Haib"), holds an exclusive prospecting license for the Company's Haib copper project in the south of Namibia. On May 5, 2017, the Company entered into a Share Purchase Agreement with Teck Namibia (Pty) Ltd. ("Teck"). to acquire the remaining 70% interest in Haib (the Company previously owned 30% of the interest) for a total consideration of $3.212 million. Teck will retain a 1.5% Net Smelter on the property, one-third of which can be purchased by the Company for a cash payment of $2 million.

3. EXPLORATION AND EVALUATION ASSETS (continued)

Kapile Tepe Property, Turkey

Concurrent with the closing of the transaction relating to the Company's investment in associate (Note 4), the Company also issued 700,000 shares at a price of $0.09 per share for all previous exploration and metallurgical data on the Kapile Tepe Property. The fair value of the shares was estimated to be $63,000.

On July 7, 2019, the Company issued 500,000 shares at a price of $0.09 per share to acquire certain leaching technologies to be used at the Kapile Tepe Property valued at $45,000.

During the year ended August 31, 2020, the Company concluded that it has no intention to pursue this project, an indicator of impairment leading to a test of recoverable amount of the project, which resulted in an impairment loss of $121,978. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the exploration and evaluation asset at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

4. INVESTMENT IN ASSOCIATE

RCR Quantum

On May 7, 2019, the Company acquired a 75% interest in RCR Quantum, a Turkish company which holds the Kapile Tepe Project in the Sivas Province in Turkey. As consideration, the Company issued 3,500,000 common shares at a price of $0.09 per share with a fair value of $315,000. The shares issued to the seller are restricted of trading for a period of 3 years. 1/6 of the shares (583,333 shares) become unrestricted every six months starting on May 1, 2019.

Management has determined that they do not have control over RCR Quantum as the Company lacks the practical ability to exercise control over RCR Quantum, therefore the acquisition has been treated as an investment in associate under IAS 28 *Investment in Associates and Joint Ventures*. Consequently, the investment in associate is accounted for using the equity method, with an acquisition value of $315,000. During the year ended August 31, 2020, the Company concluded that certain indicators of impairment existed leading to a test of recoverable amount for this investment. A value in use calculation is not applicable as the Company does not have any expected cash flows from using this investment at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy. As such, the Company has recognized impairment loss of $315,000 bringing the carrying amount of the investment to $nil.

The acquisition agreement carries the following commitments:

Upon closing of a first financing in excess of $1,000,000, the Company will pay a further $110,000 to the previous holder of the Project. Subsequent to year end the Company closed a financing in excess of $1,000,000 (see Note 16).

Upon completion of a NI 43-101 resources report estimating an inferred resource totalling a minimum of 20 million tonnes at a minimum grade of 1% copper ("Cu") equivalent, the Company is required to issue common shares valued at CAD $2,000,000 to the previous holder of the project. Further, the Company is obligated to buy back Turkish Lyra ("TRY") 2,400,000 of a TRY 3,800,000 loan from Quantum, in cash or shares, at the election of the original loanee. The Company has no obligation to buy back the loan until a NI 43-101 compliant resource estimates a minimum inferred resource of 20 million tonnes at a minimum of 1% Cu equivalent.

(Expressed in Canadian Dollars)

4. INVESTMENT IN ASSOCIATE (continued)

If the NI 43-101 resource estimation states an inferred resource totalling a minimum of 100 million tonnes at a minimum grade of 1% Cu equivalent, the Company is required to issue additional common shares valued at CAD $2,000,000. Further, the Company is obligated to buy back the remaining TRY 1,400,000 of a TRY 3,800,000 loan from Quantum, in cash or shares, at the election of the Company. The Company has no obligation to buy back the balance of the loan until a NI 43-101 compliant resource estimates a minimum inferred resource of 100 million tonnes at a minimum of 1% Cu equivalent.

The summary financial information of RCR Quantum as at the acquisition date is as follows:

Cash	$	-
Current assets, other than cash	$	**235,137**
Non-current assets	$	**465,682**
Current liabilities	$	**1,189,365**
Comprehensive loss	$	**(203)**

5. CONSIDERATION PAYABLE

Haib Minerals (Pty) Ltd.

On May 5, 2017, the Company acquired the remaining 70% interest in Haib Minerals (PTY) Ltd. through a share Purchase Agreement for total consideration of $3.212 million. The consideration was comprised of 14,060,000 common shares of the Company (each share valued at $0.20 on the date of issue) and $400,000 as consideration payable in two transfers ($200,000 due on the first anniversary and $200,000 due on the second anniversary). During the year ended August 31, 2020, the Company repaid $30,000 of the consideration payable. On June 30, 2020, the Company settled the remaining balance owing by issuing 4,352,941 shares to Teck Namibia Ltd. (issued August 10, 2020 and fair valued at $522,353) and recognized loss on settlement of debt for $152,353, which was recorded under equity pursuant to IAS 1 *Presentation of Financial Statements* as the transaction is with a shareholder.

6. LOAN PAYABLE

On January 30, 2017, the Company entered into a bridge loan agreement for working capital purposes and received $50,000. The loan is unsecured, bears interest at 10% per annum, and was due on January 31, 2019. The Company repaid $15,000 of the principal balance on January 16, 2018. As at August 31, 2020, the balance was repaid in full comprising principal of $35,000 and accrued interest of $13,800.

7. PROMISSORY NOTE PAYABLE

On February 25, 2020, the Company signed a promissory note with a former director, which converts monies previously owing to a note payable on demand in the amount of $27,050. The note is unsecured, bears interest at 10% per annum. As at August 31, 2020, the Company has accrued $1,389 in interest payable.

8. CONVERTIBLE DEBENTURE

On August 30, 2016, as part of the remaining debt settlement of the loan agreement between Deep South Minerals (PTY) Ltd. and Teck Namibia (a related party through share holdings), the Company issued a convertible debenture (“debenture”) to Teck Resources. The debenture bears interest on the outstanding principal amount at a rate of LIBOR plus 2% per annum with the principal due at maturity (48 months from the date of issuance.). The debenture is payable in cash or at the option of the Company, the principal and accrued interest is convertible into shares in the Company at a price of $0.14 per share. The debenture holder may also redeem the principal and any accrued but unpaid interest up to the maturity date.

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBTENTURE (continued)

The Convertible Debenture bears interest on the outstanding principal amount at a rate of LIBOR plus 2% per annum payable with the principal at maturity.

In the event that the Company receives "Net Cash Proceeds," defined as either an asset sale, issuance of equity securities, or incurrence of debt, a mandatory redemption will occur resulting in the debenture being converted into common shares in the Company as follows:

- for the portion of Net Cash Proceeds of up to but not including $100,000, the Company shall redeem a principal amount of this debenture equal to 30% of such net proceeds;
- for the portion of Net Cash Proceeds between $100,000 up to but not including $200,000, the Company shall redeem a principal amount of this debenture equal to 40% of such net proceeds;
- for the portion of Net Cash Proceeds between $200,000 up to but not including $300,000, the Company shall redeem a principal amount of this debenture equal to 50% of such net proceeds; and
- for the portion of Net Cash Proceeds over $300,000, the Company shall redeem a principal amount of this debenture equal to 50% of such net proceeds.

On August 14, 2020, the parties amended the convertible debenture and extended the maturity to August 30, 2021 at a new conversion price of $0.115 Pursuant to IFRS 9 *Financial Instruments*, the modification was considered to be substantial and was therefore accounted for as an extinguishment of the debenture and recognition of a new debenture. The present value of the new liability component was calculated as the present value of the principal and interest discounted at 18%. The extinguishment of debt gave rise to a gain on extinguishment for $60,007, which was recorded under equity pursuant to IAS 1 *Presentation of Financial Statements* as the transaction is with a shareholder.

A reconciliation of the convertible debenture is as follows:

Balance, August 31, 2018	**$300,585**
Non-cash items	
Accreted interest	45,399
Balance at August 31, 2019	**345,984**
Non-cash items	
Accreted interest to extinguishment date	43,133
Extinguishment of debenture:	
Principal	(389,117)
Issuance of debenture	382,823
Accreted interest on new debenture	2,788
Balance at August 31, 2020	**$ 385,611**

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

For the year ended August 31, 2020

On December 23, 2019, the Company closed the first tranche of a non-brokered private placement comprising 5,346,000 units at a price of $0.05 per unit for gross proceeds of $267,300. Each unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring December 23, 2024.

On January 22, 2020, the Company closed the second tranche of a non-brokered private placement comprising 6,380,000 units at a price of $0.05 per unit for gross proceeds of $319,000. Each unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring January 22, 2025.

On January 29, 2020, the Company closed the final tranche of a non-brokered private placement comprising 100,000 units at a price of $0.05 per unit for gross proceeds of $5,000. Each unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring January 29, 2025.

On April 2, 2020, the Company closed a non-brokered private placement comprising of 1,348,000 units at a price of $0.05 per unit for gross proceeds of $67,400. Each unit comprises one common share and one share purchase warrant exercisable at $0.09 per share expiring April 2, 2025. $26,960 of the proceeds was allocated to warrants using residual method.

For the non-brokered private placements, the Company paid a total of $4,724 in aggregate cash finder's fees and issued 92,800 broker warrants. These warrants entitle the holder to purchase one share for $0.09 for a period of five years from the date of closing. These warrants issued had a fair value of $3,297 using the Black Scholes model with the following inputs: i) exercise price: $0.09; ii) share price: $0.05; iii) term: 5 years; iv) volatility: 122%; v) discount rate: 1.60%. The value of these compensation warrants is included in reserves and share capital. The Company also incurred other share issuance cost for $23,821.

On August 10, 2020, the Company issued 4,352,941 common shares to Teck Namibia Ltd., to settle total consideration payable of $370,000 (Note 5).

For the year ended August 31, 2019

On November 22, 2018, the Company closed a non-brokered private placement and issued 1,660,000 units at a price of $0.10 per unit for gross proceeds of $166,000. Each unit is comprised of one common share and one-half warrant. Each full warrant entitles the holder to purchase one common share of the Company at $0.20 per common share for a period of 36 months from the date of closing. The Company paid cash finders' fees of $1,280 and issued 12,800 compensation warrants in connection with this private placement. The compensation warrants carry the same terms and conditions as the private placement warrants

On March 5, 2019, the Company closed the second tranche of its private placement by issuing 5,465,000 Units for total gross proceeds of $546,500. Each unit is comprised of one common share and one-half warrant. Each full warrant entitles the holder to purchase one common share of the Company at $0.20 per common share for a period of 36 months from the date of closing.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

On May 7, 2019, the Company issued 3,500,000 shares at a price of $0.09 per share relating to the acquisition of RCR Quantum (See Note 5). Concurrent with the closing of the transaction, the Company also issued 700,000 shares at a price of $0.09 per share for all previous exploration and metallurgical data on the Project valued at $63,000.

On July 7, 2019, the Company issued 500,000 shares at a price of $0.09 per share to acquire certain leaching technologies to be used at the Kapile Tepe Property valued at $45,000.

(c) Stock options

The Company has a rolling stock option plan whereby a maximum of 10% of the issued common shares will be reserved for issuance under the plan. Options granted under the plan vest immediately or over a period at the discretion of the Board of Directors

Under the Plan, the number of shares reserved for issuance to any optionee will not exceed 5% of the then issued and outstanding shares unless the Company has obtained Disinterested Shareholder Approval. The options are non-assignable and non-transferable and will be exercisable up to 10 year from the date of grant. The exercise price of an option will be set by the Board and cannot be less than the discounted market price, as such term is defined in policies of the TSX Venture and other applicable regulatory authorities.

The following table summarizes the Company's stock option activities for the following periods:

	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Contractual Life (years)**
Options outstanding and exercisable, August 31, 2018	925,000	$0.25	
Expired	(350,000)	$0.25	
Options outstanding and exercisable, August 31, 2019	**575,000**	**$0.25**	
Granted	7,400,000	$0.10	
Expired	(575,000)	$0.25	
Options outstanding, August 31, 2020	**7,400,000**	**$0.10**	**4.01**
Options exercisable, August 31, 2020	**2,962,500**	**$0.11**	**3.54**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(c) **Stock options** (continued)

As at August 31, 2020, the Company had options outstanding as follows:

Number of Options	Exercise Price	Expiry Date	Vesting Term
2,850,000	$0.09	February 24, 2025	1/4th every 6 months
800,000	$0.08	June 10, 2025	1/4th every 6 months
1,250,000	$0.08	June 10, 2025	Fully vested on grant
750,000	$0.08	June 10, 2025	1/4th every 6 months
1,000,000	$0.15	December 31, 2021	Fully vested on grant
750,000	$0.135	July 10, 2023	1/4th every 6 months
7,400,000			

When the Company issues stock options, it records a share-based compensation in the year or period in which the options are granted and/or vested. The expense is estimated using the following assumptions:

- The stock price volatility is based on the Company's historical prices.
- The risk-free interest rate is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the stock options.
- The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model.
- The Company has not paid and does not anticipate paying dividends on its common shares. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period.
- Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the share-based compensation recorded in the accompanying consolidated statements of operations and comprehensive loss.

During fiscal year end 2020, the Company recognized $281,083 in share-based compensation relating to the grant of stock options. The fair value of the options was determined utilizing Black Scholes Option Pricing Model with the following weighted average inputs. Risk-free rate: 0.71%, Expected Life: 3.52 years, Volatility: 136%, and Fair Value $0.07.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(d) Warrants

The following table summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance at August 31, 2018	3,306,400	$0.26	
Granted	3,575,300	$0.20	
Expired	(1,494,600)	$0.21	
Warrants outstanding and exercisable, August 31, 2019	5,387,100	$0.23	
Granted	13,174,000	$0.09	
Warrants outstanding and exercisable, August 31, 2020	**18,561,100**	**$0.13**	**3.43**

As at August 31, 2020, the Company has warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
399,300	$0.30	October 31, 2020*
475,500	$0.30	December 8, 2020*
937,000	$0.30	May 8, 2021
842,800	$0.20	November 22, 2021
2,732,500	$0.20	March 5, 2022
5,346,000	$0.09	December 23, 2024
6,380,000	$0.09	January 22, 2025
100,000	$0.09	January 29, 2025
1,348,000	$0.09	April 2, 2025
18,561,100		

*Warrants expired subsequent to year-end.

(e) Compensation Warrants

On December 23, 2019 and January 22, 2020, in connection with the private placements, the Company issued 92,800 finder warrants. These warrants entitle the holder to purchase one share for $0.09 for a period of three years from the date of closing. These warrants issued had a fair value of $3,297 using the Black Scholes model with the following inputs: i) exercise price: $0.09; ii) share price: $0.05; iii) term: 3 years; iv) volatility: 122%; v) discount rate: 1.65%. The value of these compensation warrants is included in reserves and share capital.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(e) Compensation Warrants (continued)

The following table summarizes the Company's finder warrant activities:

	Number of Finder Warrants	Weighted Average Exercise Price
Balance at August 31, 2018	54,800	$0.30
Granted	12,800	$0.20
Warrants outstanding and exercisable, August 31, 2019	67,600	$0.28
Granted	92,800	$0.09
Warrants outstanding and exercisable, August 31, 2020	**160,400**	**$0.17**

As at August 31, 2020, the Company has warrants outstanding as follows:

Number of Finder Warrants	Exercise Price	Expiry Date
46,800	$0.3	October 31, 2020*
8,000	$0.3	December 8, 2020*
12,800	$0.2	November 22, 2020
68,800	$0.09	December 23, 2022
24,000	$0.09	January 22, 2023
160,400		

*Warrants expired subsequent to year-end.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	Ref.	**August 31, 2020**	August 31, 2019
			$	$
Other financial assets	1	a	**3,486**	9,929
Other financial liabilities	2	b	**1,017,850**	1,103,965

a. Comprises cash
b. Comprises accounts payable and accrued liabilities, loan payable, consideration payable, promissory note payable, and convertible debenture.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not significantly different from their carrying values.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Management of Industry and Financial Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At August 31, 2020, the Company had working capital deficiency of $973,038 (2019 - $1,069,840) This included cash of $3,486 (2019 - $9,929) available to meet short-term business requirements and current liabilities of $1,021,356 (2019 - $1,147,098). The Company will require additional financing in the future to meet its obligations. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency Risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its related party balances.

Price Risk

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise 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.

(Expressed in Canadian Dollars)

11. CAPITAL MANAGEMENT

The Company defines capital that it manages as cash and equity, comprising issued common shares and reserves.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There was no change to the Company's capital management approach during the year.

12. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the consolidated financial statements related party transactions are as follows. The key management personnel of the Company are the directors and officers of the Company. Compensation and expenses paid to key management for the following periods:

		August 31, 2020		August 31, 2019
Consulting fees	**$**	**158,417**	$	126,116
Share-based compensation		**68,533**		-
	$	**226,950**	$	126,116

Included in accounts payable and accrued liabilities is $244,129 (2019 - $116,153) owed to companies controlled by directors or officers as at August 31, 2020. All balances are unsecured, non-interest bearing, have no fixed repayment terms and are due on demand. These amounts do not include the promissory note payable to a previous officer (refer to Note 7.

(Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

a) Operating Segments

The Company's operations are primarily dedicated towards the acquisition, exploration, and development of its properties in British Columbia and Namibia.

b) Geographic Segments

The Company's geographic information:

		August 31, 2020		August 31, 2019
Net loss (profit) from operations:				
Canada	**$**	**1,413,331**	$	490,194
Namibia		**41,142**		-
	$	**1,454,473**	$	490,194

		August 31, 2020		August 31, 2019
Identifiable assets				
Canada	**$**	**44,812**	$	34,126
Turkey		**-**		436,978
Namibia		**5,297,870**		5,043,921
	$	**5,342,682**	$	5,515,025
Liabilities				
Canada	**$**	**1,012,711**	$	1,098,826
Namibia		**5,139**		5,139
	$	**1,017,850**	$	1,103,965

(Expressed in Canadian Dollars)

14. DEFERRED INCOME TAX

Income tax differs from the amount that would be computed by applying the Canadian statutory income tax rate to loss before income taxes. The reasons for the differences are as follows:

		2020		2019
Statutory tax rate		**27%**		27%
Expected income tax recovery	**$**	**(393,000)**	$	(141,000)
Non-deductible items		**88,000**		12,000
Change in estimate		**2,000**		4,000
Effect of rate change and other		**(11,000)**		(2,000)
Unused tax losses and tax offsets not recognized in tax assets		**314,000**		127,000
Deferred income tax recovery	**$**	**-**	$	-

The following are the deductible temporary differences for which no deferred tax assets are recognized in the financial statements. The amounts have been tax effected at the rate expected to apply on utilization.

		2020		2019
Tax basis in excess of carrying value of equipment	**$**	**5,000**	$	5,000
Tax basis in excess of carrying value of exploration and evaluation assets		**739,000**		706,000
Tax basis of non-refundable tax credit		**31,000**		31,000
Tax basis of investment in associate		**85,000**		-
Share issuance costs		**8,000**		3,000
Non-capital loss carry-forwards		**1,662,000**		1,471,000
		2,530,000		2,216,000
Deferred tax assets not recognized		**(2,530,000)**		(2,216,000)
Net deferred tax assets	**$**	**-**	$	-

The Company has non-capital losses carried forward for income tax purposes of approximately $6,061,000 (2019 - $4,887,000) which can be applied against future years' taxable income. These losses will expire between 2026 and 2040. Deferred tax benefits which may arise as a result of the utilization of non-capital losses and cumulative exploration and development expenses have been offset by deferred tax assets not recognized in these financial statements.

15. COMMITMENTS

On February 25, 2019, the Company signed an off-take agreement with a third party ("the Buyer"). The buyer agreed to purchase 5,320,000 units in the Company's March 5, 2019 private placement (see Note 8) for gross proceeds of $532,000. The buyer and the Company plan to construct and operate a copper mine and a solvent-extraction and electro winning plant ("the Plant") on the Company's Haib property. In consideration of the buyer making the investment, the Company has guaranteed to sell, or make available to the buyer, 20% of the output produced by the Company's proposed plant, and in any event, a minimum of 20,000 metric tonnes from commencement of the plant and thereafter throughout the lifetime of the plant. During fiscal year end 2020, an additional off-take portion was granted whereby the Buyer will have the right to buy 2% (2,000 metric tonnes) more of the copper produce.

16. SUBSEQUENT EVENTS

- On September 11, 2020, the Company granted incentive stock options to a consultant to purchase up to an aggregate of 250,000 common shares of the Company at an exercise price of $0.10 per share for a term of five years from the date of grant.

- On September 16, 2020, the Company closed the first tranche of a non-brokered private placement comprising 13,732,000 units at a price of $0.10 per unit for gross proceeds of $1,373,200. Each unit comprises one common share and one-half share purchase warrant; each whole warrant is exercisable at $0.15 per share expiring September 16, 2023. The Company received $27,000 in proceeds during the year ended August 31, 2020 relating to this private placement which have been recorded as share subscriptions received.

- On October 14, 2020, the Company closed the final tranche of a non-brokered private placement comprising 10,400,000 units at a price of $0.10 per unit for gross proceeds of $1,040,000. Each unit comprises one common share and one-half share purchase warrant; each whole warrant is exercisable at $0.15 per share expiring October 14, 2023.

  For the non-brokered private placements, the Company paid a total of $132,960 in aggregate cash finder's fees and issued 1,329,600 finder warrants. These warrants entitle the holder to purchase one share for $0.15 for a period of three years from the date of closing. Each security has a four-month hold period from the date of closing the placement.

- On October 20, 2020, the Company granted incentive stock options to a consultant to purchase up to an aggregate of 200,000 common shares of the Company at an exercise price of $0.10 per share for a term of three years from the date of grant.

- On October 26, 2020, the Company granted incentive stock options to a director to purchase up to an aggregate of 350,000 common shares of the Company at an exercise price of $0.11 per share for a term of five years from the date of grant.

- On December 14, 2020, the Company granted stock options to its directors and officers to purchase up to an aggregate of 2,150,000 common shares of the Company at an exercise price of $0.17 per share for a term of three years from the date of grant.