



**SCOTTIE RESOURCES CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)**

**FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2020 AND 2019**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

This notice is being provided in accordance with National Instrument 51-102 – Continuous Disclosure Obligations.

**SCOTTIE RESOURCES CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
**AS AT**

	May 31, 2020	August 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 4,447,026	\$ 182,040
GST Receivable	25,620	16,973
BCMETS receivable (Note 3)	98,934	98,934
Prepaid expenses and advances	<u>57,370</u>	<u>19,641</u>
	<u>4,628,950</u>	<u>317,588</u>
<b>Non-current assets</b>		
Reclamation bonds	115,500	107,000
Equipment	14,960	-
Exploration and evaluation assets (Note 3)	<u>4,613,991</u>	<u>2,323,891</u>
	<u>4,744,451</u>	<u>2,430,891</u>
	<u>\$ 9,373,401</u>	<u>\$ 2,748,479</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 106,020	\$ 375,524
Loans payable (Note 4 and 5)	-	242,457
Due to related parties (Note 4)	6,365	222,740
Flow-through premium liability (Note 6)	<u>368,777</u>	<u>-</u>
	481,162	840,721
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 6)	12,951,004	5,423,549
Contributed surplus (Note 6)	1,952,614	1,280,013
Deficit	<u>(6,011,379)</u>	<u>(4,795,804)</u>
	<u>8,892,239</u>	<u>1,907,758</u>
	<u>\$ 9,373,401</u>	<u>\$ 2,748,479</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 10)

Approved and authorized by the Board on July 27, 2020.

"Bradley Rourke"

Director

Bradley Rourke

"Ernest Mast"

Director

Ernest Mast

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

**SCOTTIE RESOURCES CORP.****CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	For the three months ended May 31, 2020	For the three months ended May 31, 2019	For the nine months ended May 31, 2020	For the nine months ended May 31, 2019
<b>EXPENSES</b>				
Audit and accounting	\$ 5,500	\$ -	\$ 16,250	\$ (500)
Consulting	30,000	15,744	136,299	18,544
Conferences	-	-	70,730	-
Filing fees	2,139	2,550	9,569	8,329
Insurance	3,322	2,750	11,009	7,869
Legal fees	649	28,681	13,435	45,967
Listing fees	6,966	-	6,966	-
Management fees (Note 4)	49,500	43,500	145,500	130,500
Marketing	44,311	-	68,544	-
Office and miscellaneous	8,428	6,234	50,525	17,289
Share-based payments (Note 6)	179,538	121,000	558,120	142,000
Shareholder communications	13,410	6,912	73,345	11,050
Transfer agent	883	1,321	6,476	5,637
Travel and accommodation	4,932	14,194	94,583	29,732
<b>Loss from operations</b>	<b>(349,578)</b>	<b>(242,886)</b>	<b>(1,261,351)</b>	<b>(416,417)</b>
<b>Other expenses/income</b>				
Foreign exchange gain	-	-	(1,970)	-
Flow-through premium recovery	-	-	47,746	-
<b>Loss and comprehensive loss for the period</b>	<b>\$ (349,578)</b>	<b>\$ (242,886)</b>	<b>\$ (1,215,575)</b>	<b>\$ (416,417)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>91,630,393</b>	<b>59,727,074</b>	<b>82,062,316</b>	<b>59,624,381</b>

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

**SCOTTIE RESOURCES CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	For the nine months ended May 31, 2020	For the nine months ended May 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,215,575)	\$ (416,417)
Add items not affecting cash:		
Financing costs	(12,457)	-
Interest expense	-	3,772
Share-based payments	558,120	142,000
Flow-through obligation recovery	(47,746)	-
Non-cash working capital item changes:		
GST receivable	(8,647)	8,292
Prepaid expenses and advances	(37,729)	(4,359)
Accounts payable and accrued liabilities	(53,956)	37,803
Due to related parties	<u>(145,615)</u>	<u>93,360</u>
Net cash used in operating activities	<u>(963,605)</u>	<u>(135,549)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reclamation bonds	(8,500)	(14,000)
Equipment	(14,960)	-
Exploration and evaluation expenditures	<u>(2,105,658)</u>	<u>(550,084)</u>
Net cash used in investing activities	<u>(2,129,118)</u>	<u>(564,084)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	7,871,206	499,100
Share issuance costs	(283,497)	(4,462)
Loans (repaid) funded	<u>(230,000)</u>	<u>260,000</u>
Net cash provided by financing activities	<u>7,357,709</u>	<u>754,638</u>
<b>Change in cash for the period</b>	4,264,986	55,005
<b>Cash, beginning of period</b>	<u>182,040</u>	<u>477,576</u>
<b>Cash, end of period</b>	<u>\$ 4,447,026</u>	<u>\$ 532,581</u>

Non-cash Transactions (Note 9)

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

**SCOTTIE RESOURCES CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	<b>Capital Stock</b>		<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number</b>	<b>Amount</b>			
<b>Balance, August 31, 2018</b>	59,572,183	\$ 4,662,451	\$ 961,030	\$ (3,994,454)	\$ 1,629,027
Shares issued for cash	2,170,000	499,100	-	-	499,100
Share issuance costs – cash	-	(4,462)	-	-	(4,462)
Shares issued for exploration and evaluation assets	200,000	42,000	-	-	42,000
Share based payments (Note 6)	-	-	142,000	-	142,000
Loss for the period	-	-	-	(416,417)	(416,417)
<b>Balance, May 31, 2019</b>	61,942,183	5,199,089	1,103,030	(4,410,871)	1,891,248
Shares issued for cash	995,000	228,850	-	-	228,850
Share issuance costs – cash	-	(4,390)	-	-	(4,390)
Financing costs (Note 7)	-	-	56,669	-	56,669
Share-based payments	-	-	120,314	-	120,314
Loss for the period	-	-	-	(384,933)	(384,933)
<b>Balance, August 31, 2019</b>	62,937,183	5,423,549	1,280,013	(4,795,804)	1,907,758
Shares issued for cash	38,958,058	7,871,206	-	-	7,871,206
Share issuance costs	600,000	(397,978)	114,481	-	(283,497)
Shares issued for exploration and evaluation assets	1,400,000	329,000	-	-	329,000
Flow-through premium	-	(416,523)	-	-	(416,523)
Share-based payments	-	-	558,120	-	558,120
Shares issued to settle debt	567,000	141,750	-	-	141,750
Loss for the period	-	-	-	(1,215,575)	(1,215,575)
<b>Balance, May 31, 2020</b>	104,462,241	\$ 12,951,004	\$ 1,952,614	\$ (6,011,379)	\$ 8,892,239

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

**SCOTTIE RESOURCES CORP.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
FOR THE PERIOD ENDED MAY 31, 2020 AND 2019

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Scottie Resources Corp. (formerly Rotation Minerals Ltd.) (the “Company”) is an exploration stage company incorporated on November 24, 2009 in British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in British Columbia, Canada. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol “SCOT”.

The Company’s registered and records address is PO Box 48202 Bentall, Vancouver, British Columbia, V7X 1H8.

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 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 ability to raise funds.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) IAS 34 “Interim Financial Reporting”.

These condensed interim financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS. These condensed interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the year ended August 31, 2019.

**Basis of Measurement**

These financial statements have been prepared using the historical cost basis except for financial instruments that have been measured at fair value.

The financial statements are presented in Canadian dollars, which is the Company’s functional currency and presentation currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**Going Concern**

As at May 31, 2020, the Company has a working capital of \$4,147,788 and an accumulated deficit of \$6,011,379. In addition, the Company has not generated revenues from operations and it expects to incur further losses in the exploration and evaluation of its mineral properties. These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company’s ability to obtain adequate financing to develop the reserves, and its ability to commence profitable operations in the future. These conditions indicate material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**2. BASIS OF PREPARATION (Cont'd...)**

**Going Concern (Cont'd...)**

The Company has been able to fund operations and mineral property exploration through equity financings. Uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make the Company more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**Significant Accounting Policies**

New and revised standards and interpretations

Accounting policies used in the preparation of these condensed interim financial statements are consistent with those described in the Company's audited annual financial statements for the year ended August 31, 2019, except for the following change to IFRS, which were adopted as at September 1, 2019:

*IFRS 16, Leases:*

This new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term of longer than 12 months.

The Company has no leases as at August 31, 2019 or May 31, 2020, therefore the adoption of IFRS 16 did not have a material impact on the Company's condensed interim financial statements.

**Significant Accounting Judgments and Estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

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

**SCOTTIE RESOURCES CORP.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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FOR THE PERIOD ENDED MAY 31, 2020 AND 2019

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**2. BASIS OF PREPARATION (Cont'd...)**

**Significant Accounting Judgments and Estimates (Cont'd)**

Exploration and Evaluation Expenditures

Rehabilitation provisions have been determined to be \$Nil based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Share-Based Payments

The Company uses the Black Scholes Option Pricing Model for valuation of share-based payments. 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.

Valuation of Deferred Tax Assets

The Company makes a determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

**3. EXPLORATION AND EVALUATION ASSETS**

**Scottie Gold Project**

Scottie

The Company owns a 100% interest in the Scottie Property. The Scottie property is located in the Golden Triangle mining district of British Columbia.

The property is subject to a 3% net smelter return royalty. The Company has the right to purchase 2% for \$600,000.

Bow

On December 12, 2018, the Company entered into an option agreement with another public company with a director in common with the Company to acquire a 100% interest in the Bow property located in the Golden Triangle mining district of British Columbia. The Bow property is subject to a 3% net smelter return royalty, of which the Company may purchase 66.67% (2%) for \$600,000. The Bow is contiguous with the Company's Scottie property.

The terms of the option agreement call for cash payments totalling \$1,000,000 to be paid as follows:

- \$200,000 on TSXV approval of the option agreement (paid);
- \$200,000 on or before June 12, 2019 (paid);
- \$200,000 on or before December 12, 2019 (paid)
- \$200,000 on or before June 12, 2020; and <sup>1</sup>
- \$200,000 on or before December 12, 2020.<sup>1</sup>

<sup>1</sup>During the period ended May 31, 2020, the Company renegotiated the terms of the payment schedule and accelerated the earn-in. The final two payments totalling \$400,000 were renegotiated and replaced with a single payment of \$300,000, which the Company paid and acquired 100% of the Bow property.

**SCOTTIE RESOURCES CORP.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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FOR THE PERIOD ENDED MAY 31, 2020 AND 2019

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**3. EXPLORATION AND EVALUATION ASSETS (Cont'd...)**

**Scottie Gold Project (Cont'd...)**

Summit Lake (Cont'd...)

On April 26, 2019, the Company entered into an option agreement to acquire a 100% interest in a land package directly adjacent to the Scottie property known as the Summit Lake property. The mineral claims comprising the land package cover 1,583 hectares.

The terms of the option agreement call for cash payments totalling \$250,000 to be paid as follows:

- \$50,000 on TSXV approval of the option agreement (paid);
- \$50,000 on or before April 26, 2020; (paid)
- \$50,000 on or before April 26, 2021;
- \$50,000 on or before April 26, 2022; and
- \$50,000 on or before April 26, 2023.

The terms of the option agreement call for share payments totalling 2,200,000 common shares to be issued as follows:

- 200,000 on TSXV approval of the option agreement (issued);
- 400,000 on or before April 26, 2020; (issued)
- 500,000 on or before April 26, 2021;
- 500,000 on or before April 26, 2022; and
- 600,000 on or before April 26, 2023..

The Summit Lake property is subject to a 1.8% gross smelter return royalty. The Company has the right to purchase 0.8% of the royalty for \$1,000,000 at any time.

The Company also staked additional adjacent mineral claims for \$13,695.

Stock

The Company staked the Stock property. The Stock property is located south of the Company's Scottie property in the Golden Triangle mining district of British Columbia.

**Cambria Project**

Black Hills

The Company owns a 100% interest in the Black Hills property located in the Golden Triangle mining district of British Columbia. In 2013, the Company purchased the Black Hills mineral claims for \$10,000 from a company that was managed by a former director of the Company. The Company staked additional claims at Black Hills at a cost of \$1,680 during the year ended August 31, 2018.

Ruby Silver

On March 9, 2018, the Company purchased a 100% interest in the Ruby Silver property located in the Golden Triangle mining district of British Columbia for \$100,000.

Bitter Creek

On March 1, 2019, the Company entered into an option agreement to acquire a 100% interest in the Bitter Creek property located in the Golden Triangle mining district of British Columbia. Bitter Creek is subject to a 2.5% net smelter return royalty. Bitter Creek is contiguous with the Company's Black Hills and Ruby Silver properties.

**SCOTTIE RESOURCES CORP.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MAY 31, 2020 AND 2019

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**3. EXPLORATION AND EVALUATION ASSETS (Cont'd...)**

**Cambria Project (Cont'd...)**

Bitter Creek (Cont'd...)

The terms of the Agreement call for payments totalling \$850,000 to be paid as follows:

- \$5,000 upon signing of the agreement (paid);
- \$10,000 within five business days of receiving TSXV approval of the agreement. TSXV approval was received on March 20, 2019 (the “Approval Date”) (paid);
- \$60,000 within five business days of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company (paid in cash);
- \$75,000 within 6 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company (paid);
- \$100,000 within 12 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company; (\$10,000 paid during period and \$90,000 settled subsequent to period end)
- \$100,000 within 18 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$100,000 within 24 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$100,000 within 30 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$150,000 within 36 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>
- \$150,000 within 42 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;<sup>1</sup>

<sup>1</sup>During the period ended May 31, 2020, the Company renegotiated the terms of the agreement and accelerated the earn-in. The Company negotiated and made a one-time payment of \$325,000 and issued 1,000,000 common shares, valued at \$235,000 and acquired 100% of the Bitter Creek property.

The Company may purchase 60% (1.5%) of the net smelter return royalty for \$1,500,000.

**SCOTTIE RESOURCES CORP.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MAY 31, 2020 AND 2019

**3. EXPLORATION AND EVALUATION ASSETS (Cont'd...)**

	<u>Scottie Gold Mine Project</u>	<u>Cambria Project</u>	<u>Total</u>
<u>Property acquisition costs</u>			
Balance, August 31, 2018	\$ 385,074	\$ 111,680	\$ 496,754
Cash	476,123	75,000	551,123
Shares	<u>42,000</u>	<u>-</u>	<u>42,000</u>
Balance, August 31, 2019	903,197	186,680	1,089,877
Cash	550,000	410,000	960,000
Shares	<u>94,000</u>	<u>235,000</u>	<u>329,000</u>
Balance, May 31, 2020	<u>\$ 1,547,197</u>	<u>\$ 831,680</u>	<u>\$ 2,378,877</u>
<u>Exploration and evaluation costs</u>			
Balance, August 31, 2018	\$ 927,985	\$ 20,426	\$ 948,411
Assays	5,235	11,374	16,609
Equipment rental	36,651	19,340	55,991
Field costs	137,730	32,046	169,776
Geological	<u>190,527</u>	<u>61,770</u>	<u>252,297</u>
Balance, August 31, 2019	1,298,128	144,956	1,443,084
Assays	45,570	33,718	79,288
Drilling	277,216	-	277,216
Equipment rental	120,334	2,509	122,843
Field costs	121,885	4,198	126,083
Geological	<u>387,530</u>	<u>8,140</u>	<u>395,670</u>
Balance, May 31, 2020	<u>\$ 2,250,663</u>	<u>\$ 193,521</u>	<u>\$ 2,444,184</u>
<u>BCMETS</u>			
Balance, August 31, 2018	\$ (106,636)	\$ (3,500)	\$ (110,136)
Additions	<u>(74,028)</u>	<u>(24,906)</u>	<u>(98,934)</u>
Balance, August 31, 2019 and May 31, 2020	<u>\$ (180,664)</u>	<u>\$ (28,406)</u>	<u>\$ (209,070)</u>
Total, August 31, 2019	\$ 2,020,661	\$ 303,230	\$ 2,323,891
Total, May 31, 2020	<b>\$ 3,617,196</b>	<b>\$ 996,795</b>	<b>\$ 4,613,991</b>

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**4. RELATED PARTY TRANSACTIONS**

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company’s Chief Executive Officer and Chief Financial Officer.

During the nine months ended May 31, 2020 and 2019, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed interim financial statements:

	<b>May 31, 2020</b>	<b>May 31, 2019</b>
Management fees	\$ 145,500	\$ 130,500
Share-based payments	313,390	-
	<u>\$ 458,890</u>	<u>\$ 130,500</u>

At May 31, 2020, loans payable includes \$nil (August 31, 2019 - \$189,247) due to a director of the Company for loan principal and accrued interest (Note 5). During the period the Company accrued interest of \$2,441 and repaid the total loan principal and interest of \$191,688.

At May 31, 2020, due to related parties includes \$9,035 (August 31, 2019 - \$117,506) due to directors of the Company and to companies with directors in common with the Company for fees and expenses.

Except for as disclosed above and in Note 5, the amounts due to/from related parties are unsecured, non-interest bearing and due on demand.

**5. LOANS PAYABLE**

On April 29, 2019, the Company entered into two loan agreements for total proceeds of \$260,000, of which \$180,000 was from a director and officer of the Company. The loans are unsecured, bear interest at 15% per annum and are due on demand. The loans have a maximum term of five years. During the year ended August 31, 2019 the Company repaid \$30,000. During the period ended November 30, 2019, the Company incurred interest expense of \$3,099 and repaid the balance of the loans and accrued interest, totaling \$245,556. The outstanding balance as at February 29, 2020 was \$Nil (August 31, 2019 - \$242,547)

In connection with the loans, on June 19, 2019, the Company issued the lenders 980,000 bonus warrants which entitled the lenders to purchase one common share for each warrant held at \$0.21 per share until June 19, 2020. The bonus warrants were determined to have a fair value of \$56,669 which was expensed in financing costs as the loans are due on demand. The fair value of the bonus warrants issued was calculated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

	2019
Exercise price	\$0.21
Average risk-free interest rate	1.71%
Expected dividend yield	0.00%
Expected stock price volatility	86%
Expected life	1.00 years
Value per warrant	\$0.058

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**6. SHAREHOLDERS' EQUITY (DEFICIENCY)**

**Authorized**

An unlimited number of common shares without par value.

**Issued share capital**

During the nine months ended May 31, 2020, the Company:

- On October 18, 2019, the Company issued 2,036,726 flow-through common shares at \$0.22 per share, and 3,263,332 non flow-through units at \$0.15 per share for total gross proceeds of \$937,580. Each non flow-through unit consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one non flow-through common share of the Company at a price of \$0.22 for a period of 24 months. If the closing price of the Company's common shares is at a price equal to or greater than \$0.29 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice that the warrants will expire in 30 days. The flow-through share premium liability associated with these issuances was \$47,746.

In connection with the private placements the Company paid finders' fees of \$53,582, granted 325,392 finders' warrants and paid other share issuance costs of \$12,405. Each finder's warrant is exercisable at a price of \$0.22 for a period of 24 months. The finders' warrants were determined to have a fair value of \$34,165 which were recorded as share issuance costs. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

Exercise price	\$0.18
Average risk-free interest rate	1.46%
Expected dividend yield	0.00%
Expected stock price volatility	119.4%
Expected life	2 years
Value per warrant	\$0.105

- On January 14, 2020, the Company issued 567,000 common shares at a fair value of \$0.25 per share to settle debt of \$141,750.
- On January 16, 2020, the Company issued 10,000,000 non-flow through units at \$0.20 per share for total gross proceeds of \$2,000,000 pursuant to a private placement agreement. Each non-flow through unit consists of one common share and one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.30 for a period of 24 months.

In connection with the January 16, 2020 financing the Company issued 600,000 units valued at \$120,000 and paid other share issuance costs of \$12,657. Each unit consists of one common share and one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.30 for a period of 24 months.

- On April 22, 2020, the Company issued 1,000,000 common shares with a fair value of \$235,000 as part of the final payment on the Bitter Creek mineral property acquisition and 400,000 common shares with a fair value of \$94,000 for an option payment on the Summit Lake property

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**6. SHAREHOLDERS' EQUITY (DEFICIENCY) (Cont'd...)**

**Issued Share Capital (Cont'd...)**

- On May 14, 2020, the Company issued 14,751,067 flow-through common shares at \$0.24 per share, for total gross proceeds of \$3,540,256. The flow-through share premium liability associated with this issuance was \$368,777.

In connection with the May 14, 2020 financing, the Company paid finders' fees of \$185,629, granted 773,454 finders' warrants and paid other share issuance costs of \$19,224. Each finder's warrant is exercisable at a price of \$0.24 for a period of 24 months. The finders' warrants were determined to have a fair value of \$80,316 which were recorded as share issuance costs. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

Exercise price	\$0.24
Average risk-free interest rate	0.36%
Expected dividend yield	0.00%
Expected stock price volatility	97.2%
Expected life	2 years
Value per warrant	\$0.104

During the year ended August 31, 2019, the Company:

- On May 15, 2019, the Company issued 200,000 common shares with a fair value of \$42,000 for an option payment on the Summit Lake property.
- On May 27, 2019, the Company issued 2,170,000 common shares at \$0.23 per share for gross proceeds of \$499,100 pursuant to private placement agreements. The Company incurred share issue costs of \$4,462 with respect to this private placement.
- On June 18, 2019 the Company issued 995,000 common shares at \$0.23 per share for gross proceeds of \$228,850 pursuant to private placement agreements. The Company incurred share issue costs of \$4,390 with respect to this private placement.

**Share Purchase Warrants:**

A summary of share purchase warrant activity for the nine months ended May 31, 2020 and for the year ended August 31, 2019 is presented below:

	Warrants	
	Number	Weighted Average Exercise Price
Outstanding, August 31, 2018	8,798,166	\$ 0.26
Granted	980,000	0.21
Expired	<u>(7,166,668)</u>	<u>0.26</u>
Balance, August 31, 2019	2,611,498	0.23
Granted	23,050,111	0.26
Expired	<u>(1,631,498)</u>	<u>0.25</u>
Outstanding, May 31, 2020	24,030,111	\$ 0.26

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**6. SHAREHOLDERS' EQUITY (DEFICIENCY) (Cont'd...)**

**Share Purchase Warrants (Cont'd...)**

At May 31, 2020, the Company had 24,030,111 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Expiry Date
980,000	\$0.21	June 19, 2020
8,305,653	\$0.22	September 25, 2021
3,371,004	\$0.22	October 18, 2021
10,600,000	\$0.30	January 16, 2022
<u>773,454</u>	<u>\$0.24</u>	<u>May 14, 2022</u>
<u>24,030,111</u>		

At May 31, 2020, the outstanding share purchase warrants had a weighted average remaining contractual life of 1.43 years.

**Share based payments**

The Company has a Stock Option Plan (“the Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 11,954,437 common shares. The exercise price of options granted under the Plan may not be less than the fair market value of the Company’s common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years and vest on the date of grant or over periods determined by the directors.

During the period ended May 31, 2020, the Company granted 6,025,000 (2019 – 3,050,000) stock options and recognized share-based payments expense of \$582,648 (2019 - \$142,000) for options granted and vesting. The Company recognized reversals of \$24,528 (2019 - \$nil) for cancelled unvested stock options, resulting in net share-based payments expense of \$558,120 on the statement of loss. The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period.

	May 31, 2020	May 31, 2019
Risk-free interest rate	0.36%	2.20%
Expected life of options	5.00 years	5.00 years
Expected annualized volatility	99.3%	252%
Forfeiture rate	0%	0%
Dividend rate	0%	0%

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**6. SHAREHOLDERS' EQUITY (DEFICIENCY) (Cont'd...)**

**Share based payments (Cont'd...)**

A summary of stock option activity for the period ended May 31, 2020 and for the year ended August 31, 2019 is presented below:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, August	3,050,000	\$ 0.17
Granted	3,000,000	0.18
Cancelled/Expired	(600,000)	0.20
Balance, August 31, 2019	5,450,000	0.17
Granted	6,025,000	0.21
Expired	(1,400,000)	0.22
Outstanding, May 31, 2020	10,075,000	\$ 0.19

At May 31, 2020, the Company had 10,075,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
1,000,000	1,000,000	\$0.05	May 16, 2021
300,000	300,000	\$0.20	May 24, 2022
150,000	150,000	\$0.26	October 26, 2022
600,000	600,000	\$0.255	March 8, 2023
1,000,000	1,000,000	\$0.10	December 3, 2023
1,000,000	500,000	\$0.22	April 25, 2024
2,400,000	2,400,000	\$0.195	September 17, 2024
<u>3,625,000</u>	<u>906,250</u>	\$0.215	May 25, 2025
10,075,000	6,856,250		

At May 31, 2020, the outstanding stock options had a weighted average remaining contractual life of 3.91 years.

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**7. FINANCIAL INSTRUMENTS**

Cash is carried at FVTPL, Reclamation bonds, accounts payable and accrued liabilities, loans payable and due to related parties are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

**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's cash is exposed to interest rate risk.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and advances from related parties are all current and due within 90 days of the balance sheet date.

**8. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes its components of shareholders' equity (deficiency). The Company manages the capital structure and makes adjustments to it in light of 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, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

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**9. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transaction has been excluded from the statements of cash flows:

*For the nine months ended May 31, 2020:*

- At May 31, 2020, accounts payable and accrued liabilities included \$25,623 related to exploration and evaluation assets. During the period ended May 31, 2020 the Company issued 600,000 units valued at \$120,000 and recorded \$114,481 related to finders' warrants issued as share issuance costs.
- During the period ended May 31, 2020 the Company issued 567,000 common shares to settle debt of \$141,750.
- During the period ended May 31, 2020, the Company issued 14,751,067 common shares and recorded a flow-through premium liability of \$368,777
- During the period ended May 31, 2020, the Company issued 1,400,000 common shares with a fair value of \$329,000 as part of part of the mineral property acquisition agreements.

*For the nine months ended May 31, 2019:*

- At May 31, 2019, accounts payable and accrued liabilities included \$28,418 related to exploration and evaluation costs.

**10. SUBSEQUENT EVENTS**

*Subsequent to the period ended May 31, 2020 the Company:*

- Issued 4,400,000 non-flow through units at \$0.22 per unit for total gross proceeds of \$968,000 pursuant to a private placement on June 7, 2020. Each non-flow through unit consists of one common share and one half of one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.34 for a period of 24 months.

In connection with the financing the Company issued 132,000 finders warrants and paid other share issuance costs of \$58,080. Each purchase warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.34 for a period of 24 months.

- Subsequent to period end, the Company issued 4,572,333 common shares for proceeds of \$1,005,913 on the exercise of share purchase warrants.