

**FORM 51-102F4**  
**BUSINESS ACQUISITION REPORT**

**Item 1 - Identity of Company**

**1.1 Name and Address of Company**

Gold79 Mines Ltd. (formerly Aura Resources Inc.) (the “Company”)  
P.O. Box 279  
Manotick, Ontario K4M 1A3

**1.2 Executive Officer**

John McNeice  
Chief Financial Officer  
Gold79 Mines Ltd.  
P.O. Box 279  
Manotick, Ontario K4M 1A3

Telephone: (613) 692-7704

**Item 2 – Details of Acquisition**

**2.1 Nature of Business Acquired**

On July 24, 2020, the Company completed the acquisition of Territory Metals Corp. (“Territory”) pursuant to a three-cornered amalgamation agreement as announced on June 4, 2020. The Company’s wholly-owned subsidiary, 1251498 B.C. Ltd. and Territory amalgamated and become a wholly-owned subsidiary of the Company, Territory Metals Ltd.

Territory’s key asset is the Tip Top Gold project located in Esmeralda County, Nevada USA. The Tip Top Gold project is subject to an agreement of purchase and sale whereby Territory has a right to acquire a 100% interest in the project. The Tip Top Gold project is comprised of 22 unpatented mining claims covering approximately 173 hectares. The property is located in Esmeralda County, NV at the north end of the White Mountains, five miles south of Montgomery Pass, which is on U.S. Highway 6 between Bishop, CA and Tonopah, NV. The project contains several low-sulfidation oxide gold-silver epithermal veins with low base metal contents which are peripheral to an altered rhyodacite intrusion emplaced into Jurassic-Cretaceous intrusive and a bimodal package of volcanic rocks. Two of the veins historically produced a total of 6,900 ounces of gold and some silver. Since 1980, the property has been drilled by five companies, with 143 drill holes totaling over 24,000 feet.

To complete the acquisition of a 100% interest in the Tip Top Gold project, Territory is required to issue the vendor its publicly traded shares (or shares of the resulting issuer of a going public transaction) equal to a value of US\$175,000 on or before May 12, 2021; and, pay an amount of US\$25,000 in cash on each of the first, second and third anniversaries of May 12, 2021. The vendor retains a 1% net smelter return (“NSR”) royalty on the property and Territory shall pay the vendor a cash payment of US\$200,000 within 30 days of completion of a bankable feasibility study on the Tip Top Gold project. Territory may purchase the NSR royalty by paying the vendor US\$1,000,000.

Gary Thompson, the CEO of Territory, was appointed as a director of the Company upon the closing of the amalgamation and also appointed as Chair of the board of directors of the Company.

## **2.2 Acquisition Date**

July 24, 2020.

## **2.3 Consideration**

Under the terms of the amalgamation agreement, the Company acquired all the outstanding common shares of Territory through the amalgamation with the Company's subsidiary, with each Territory share being exchanged for two common shares of the Company, resulting in the Company issuing a total of 26,581,400 common shares. In addition, Territory's 160,000 warrants outstanding at closing of the amalgamation were exchanged for 320,000 warrants of the Company with equivalent terms.

See item 2.4 below regarding the private placement financing completed by the Company concurrent with the amalgamation.

## **2.4 Effect on Financial Position**

Concurrent with the amalgamation with Territory, the Company closed a private placement financing raising gross proceeds of \$1,538,000 with the issuance of a total of 25,633,333 units, at \$0.06 per unit (the "Offering"). Each unit consisted of one common share of the Company and one-half common share purchase warrant. A total of 12,816,666 warrants were issued entitling the holders to purchase one common share of the Company at a price of \$0.10 per share until July 24, 2022.

## **2.5 Prior Valuations**

Not applicable.

## **2.6 Parties to Transaction**

Territory was at arm's length to the Company and the Company's subsidiary, who were party to the amalgamation agreement.

## **2.7 Date of Report**

August 17, 2020.

## **Item 3 – Financial Statements and Other Information**

Attached as Schedule A are the condensed interim financial statements of Territory Metals Corp. for the six month periods ended March 31, 2020 and 2019.

Attached as Schedule B are the annual audited financial statements of Territory Metals Corp. for the years ended September 30, 2019 and 2018.

**SCHEDULE A**

**TERRITORY METALS CORP.**

Condensed Interim Financial Statements

For the Six Months Ended

March 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

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

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

The accompanying unaudited condensed interim financial statements have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

**TERRITORY METALS CORP.**Condensed Interim Statements of Financial Position  
(Expressed in Canadian dollars)

	Note	March 31, 2020	September 30, 2019
<b>ASSETS</b>			
		\$	\$
<b>Current assets</b>			
Cash		287,646	293,041
Amounts receivable		12,250	8,500
		<u>299,896</u>	<u>301,541</u>
<b>Exploration and evaluation assets</b>	4	<b>46,826</b>	46,326
<b>TOTAL ASSETS</b>		<b>346,722</b>	346,867
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	<u>25,794</u>	63,813
		<b>25,794</b>	63,813
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		2,156,448	1,393,948
Share subscription receivable	6	-	(3,750)
Reserves	6	150,368	32,243
Accumulated deficit		<u>(1,985,888)</u>	<u>(1,139,387)</u>
		<b>320,928</b>	283,054
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>346,722</b>	346,867

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on July 24, 2020:

/s/ "Gary Thompson" \_\_\_\_\_

Gary Thompson, Director

/s/ "Sorin Posescu" \_\_\_\_\_

Sorin Posescu, Director

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

## TERRITORY METALS CORP.

Condensed Interim Statements of Comprehensive Loss

(Express in Canadian Dollars)

		For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019	For the Six Months Ended March 31, 2020	For the Six Months Ended March 31, 2019
	Note	\$	\$	\$	\$
<b>EXPENSES</b>					
Investor relations		120	278	315	552
Management and directors' fees	5	26,000	-	26,000	-
Office and miscellaneous		128	963	320	1,927
Professional fees		27,736	-	29,186	-
Travel		-	34	-	69
Website costs		-	403	1,005	806
Acquisition of Greenridez Acquisitions Corp.		789,675	-	789,675	-
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(843,659)</b>	<b>(1,678)</b>	<b>(846,501)</b>	<b>(3,354)</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>10,251,716</b>	<b>9,768,200</b>	<b>10,006,055</b>	<b>9,768,200</b>
<b>Basic and Diluted Loss Per Share</b>		<b>(0.08)</b>	<b>(0.00)</b>	<b>(0.08)</b>	<b>(0.00)</b>

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

**TERRITORY METALS CORP.**Condensed Interim Statements of Changes in Equity  
(Expressed in Canadian dollars)

	Share capital					
	Common		Share	Reserves	Deficit	Total
	Shares	Amount	subscription			
			receivable			
		\$	\$	\$	\$	\$
<b>Balance, September 30, 2018</b>	<b>9,768,200</b>	<b>1,318,948</b>	<b>(198,250)</b>	<b>32,243</b>	<b>(839,085)</b>	<b>313,856</b>
Net loss for the period	-	-	-	-	(3,354)	(3,354)
Balance, March 31, 2019	9,768,200	1,318,948	(198,250)	32,243	(842,439)	310,502
<b>Balance, September 30, 2019</b>	<b>9,768,200</b>	<b>1,393,948</b>	<b>(3,750)</b>	<b>32,243</b>	<b>(1,139,387)</b>	<b>283,054</b>
Share subscription received	-	-	3,750	-	-	3,750
Shares issued for services	200,000	50,000	-	-	-	50,000
Acquisition of Greenridez Acquisitions Corp.	2,850,000	712,500	-	118,125	-	830,625
Net loss for the period	-	-	-	-	(846,501)	(728,376)
<b>Balance, March 31, 2020</b>	<b>12,818,200</b>	<b>2,156,448</b>	<b>-</b>	<b>150,368</b>	<b>(1,985,888)</b>	<b>320,928</b>

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

**TERRITORY METALS CORP.**Condensed Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

	<b>For the Six Months Ended March 31, 2020</b>	For the Six Months Ended March 31, 2019
	\$	\$
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
<b>Net Loss for the period</b>	<b>(846,501)</b>	(3,354)
Non-cash items:		
Shares issued for services	<b>26,000</b>	-
Acquisition of Greenridez Acquisition Corp.	<b>789,675</b>	-
Changes in non-cash working capital items:		
Other receivable	<b>22,770</b>	(12,400)
Prepaid expense	-	(27,607)
Accounts payable and accrued liabilities	<b>(14,019)</b>	421,847
	<b>(22,075)</b>	378,486
<b>CASH FLOWS USED IN INVESTING ACTIVITY</b>		
Exploration and evaluation expenditures	<b>(1,500)</b>	(410,152)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash acquired with Greenridez acquisition	<b>14,430</b>	-
Share subscription receivable	<b>3,750</b>	3,750
	<b>18,180</b>	3,750
<b>Net increase in cash</b>	<b>(5,395)</b>	(27,916)
<b>Cash, beginning of the period</b>	<b>293,041</b>	358,034
<b>Cash, end of the period</b>	<b>287,646</b>	330,118
<b>Supplemental information:</b>		
Interest paid	-	-
Income taxes paid	-	-

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

## **TERRITORY METALS CORP.**

Notes to the condensed interim financial statements  
Six months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)  
(Unaudited)

### **1. Nature of Operations and Continuance of Business**

Territory Metals Corp. (the "Company") was incorporated in the province of British Columbia on May 11, 2017. The Company's registered address is at Suite 551, 409 Granville Street, Vancouver, BC, V6C 1T2. On March 19, 2020 the Company acquired GreenRidez Acquisitions Corp. ("GR") pursuant to a share exchange agreement (see note 3 for further information). On March 31, 2020, the Company and GR were amalgamated under the *Business Corporations Act (British Columbia)*.

The Company is an exploration stage company in the process of exploring its Tip Top Gold mineral property located in the State of Nevada, USA and has not yet determined whether its property contains ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licenses and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurances that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations of the projects. Failure to comply with these conditions may render the licenses liable to forfeiture.

These financial statements have been prepared on the 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 six months ended March 31, 2020, the Company has not generated any revenues and incurred negative cash flow from operations. As at March 31, 2020, the Company has an accumulated deficit of \$1,867,763. The continued operations of the Company are dependent on its ability to generate future cash flows from its operations or obtain additional financing. Management is pursuing additional financing. Management is of the opinion that sufficient working capital can be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Significant Accounting Policies**

#### **(a) Basis of Presentation**

##### **Statement of compliance with International Financial Reporting Standards**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of July 24, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended September 30, 2019 except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2020 could result in restatement of these unaudited condensed interim financial statements.

**TERRITORY METALS CORP.**

Notes to the condensed interim financial statements  
Six months ended March 31, 2020 and 2019  
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**2. Significant Accounting Policies (continued)****(b) Use of Estimates and Judgments**

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of exploration and evaluation assets, fair value of share-based payments, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

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 are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

**3. Acquisition of Greenridez Acquisitions Corp.**

On March 19, 2020, the Company acquired Greenridez Acquisition Corp. ("GR"), a company incorporated under the laws of British Columbia, through the issuance of 2,850,000 common shares of the Company and 472,500 Special Warrants of the Company. The purchase price allocation is summarized as follows:

Consideration paid to acquire GR:	\$
2,850,000 Common shares of the Company	712,500
472,500 Special Warrants	118,125
	<u>830,625</u>
Allocated as follows:	
Cash	14,430
Other receivables	26,520
Acquisition expense	789,675
Total allocation	<u>830,625</u>

As part of the acquisition of GR, 472,500 Special Warrants of GR were exchanged for Special Warrants of the Company on a 1:1 basis. The Special Warrants were originally issued by GR on November 19, 2019 as part of a crowdfunding financing at a price of \$0.05 per Special Warrant and had no fixed term to expiry. The Special Warrants were convertible for no additional payment into common shares on receipt of a final prospectus or at the discretion of GR at any time after 4 months from the date of issue.

**TERRITORY METALS CORP.**

Notes to the condensed interim financial statements  
Six months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)  
(Unaudited)

**3. Acquisition of Greenridez Acquisitions Corp. (continued)**

On March 31, 2020, the Company and GR were amalgamated under the *Business Corporations Act (British Columbia)*.

Subsequent to quarter end, on April 1, 2020, all of the 472,500 Special Warrants of the Company were converted into 472,500 Special Warrants of the Company for no additional proceeds.

**4. Exploration and Evaluation Assets**

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

	<b>Tip Top Gold</b>
	\$
<b>Acquisition costs:</b>	
<b>Balance at September 30, 2018</b>	
Additions	20,622
<b>Balance at September 30, 2019</b>	<b>20,622</b>
<b>Balance, March 31, 2020</b>	<b>20,622</b>
<b>Exploration costs:</b>	
<b>Balance at September 30, 2018</b>	
Exploration administration	7,121
Geological	10,672
Travel and accommodations	6,911
<b>Balance at September 30, 2019</b>	<b>24,704</b>
Geological	1,500
<b>Balance at March 31, 2020</b>	<b>26,204</b>
<b>Net carrying value:</b>	
<b>Balance at September 30, 2019</b>	<b>45,326</b>
<b>Balance at March 31, 2020</b>	<b>46,826</b>

**Tip Top Gold**

On May 12, 2019, the Company entered into an agreement with Parker Mining Corporation to acquire a 100% interest in mineral claims located in Esmeralda County, Nevada, USA. Under the terms of the agreement, the Company made a US\$15,000 payment upon the execution of the agreement, and the Company is to issue the number of shares equal to US\$250,000 to the vendor upon closing of the transaction. The optionor retains a 1% net smelter return ("NSR") royalty on the property, and the Company shall pay the vendor a cash payment in the amount of US\$200,000 within 30 days upon completion by the Company of a bankable feasibility study. The Company may purchase the NSR royalty by paying the optionor US\$1,000,000. See note 10.

**TERRITORY METALS CORP.**

Notes to the condensed interim financial statements  
Six months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)  
(Unaudited)

**5. Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel.

	<b>Six Months ended March 31, 2020</b>	Six Months ended March 31, 2019
Management and directors' fees	<b>\$ 26,000</b>	\$ -

As at March 31, 2020, the Company owes \$Nil (September 30, 2019 - \$24,000) to a director of the Company which is included in accounts payable and accrued liabilities. See Note 6 for further information.

**6. Share Capital**

Authorized: unlimited common shares without par value

**Share Capital Activity for the Six Months Period Ended March 31, 2020**

On February 11, 2020, 200,000 common shares of the Company with a deemed value of \$0.25 per share were issued to directors of the Company to settle \$24,000 of accounts payable and pay 26,000 in management fees.

On March 19, 2020, the Company issued 2,850,000 common shares and 472,500 Special Warrants to the shareholders of Greenridez Acquisitions Corp. in exchange for 100% of the issued and outstanding capital of GR pursuant to a share exchange agreement between the Company, GR and shareholders of GR. These common shares and Special Warrants were recorded at a total fair value of \$830,625. See note 3 for further information on the acquisition.

**Share Capital Activity for the Year Ended September 30, 2019**

On September 5, 2019, an investor relations consultant returned 500,000 common shares with a fair value of \$50,000 to the Company which were then cancelled.

On September 13, 2019, the Company issued 500,000 common shares with fair value of \$125,000 to the President and a director of the Company.

During the year ended September 30, 2019, the Company received share subscription proceeds of \$194,500 (2018 - \$32,000) with \$3,750 (2018 - \$198,250) remaining as receivable as at September 30, 2019.

**TERRITORY METALS CORP.**

Notes to the condensed interim financial statements  
Six months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)  
(Unaudited)

**6. Share Capital (continued)****Warrants**

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
<b>Balance, September 30, 2018</b>	<b>1,200,000</b>	<b>0.10</b>
Issued	160,000	0.25
<b>Balance, September 30, 2019</b>	<b>1,360,000</b>	<b>0.12</b>
<b>Balance, March 31, 2020</b>	<b>1,360,000</b>	<b>0.12</b>

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

Expiry Date	Exercise Price	Outstanding
February 1, 2021	\$0.25	160,000
May 31, 2022	\$0.10	1,200,000
		1,360,000

**Special Warrants**

As of March 31, 2020, there were 472,500 Special Warrants issued and outstanding with no fixed term of expiry. The Special Warrants were issued in connections with the GR acquisition and were recorded at a fair value of \$118,125. Upon conversion, each Special Warrant entitles the holder thereof to receive one common share of the Company with no additional consideration due. Subsequent to quarter end, on April 1, 2020, these Special Warrants were converted into 472,500 common shares of the Company. See note 3 for further information.

**7. Financial Instruments and Risk Management****(a) Fair Values**

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**TERRITORY METALS CORP.**

Notes to the condensed interim financial statements  
Six months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)  
(Unaudited)

**7. Financial Instruments and Risk Management (continued)**

The fair values of financial instruments, which include cash, amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

**(b) Credit Risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

**(c) Foreign Exchange Rate Risk**

The Company operates in Canada and United States. Future exploration programs and option payments may be denominated in U.S. dollars. Foreign exchange risk will arise from purchase transactions as well as financial assets and liabilities denominated in this foreign currency. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

**(d) Interest Rate Risk**

The Company is not exposed to any significant interest rate risk.

**(e) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

**(f) Price Risk**

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

**8. Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions received, and warrants reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended March 31, 2020 and September 30, 2019.

**9. Segmented Information**

The Company operates in one industry, the mineral resource industry with all current exploration activities conducted in United States.

**TERRITORY METALS CORP.**

Notes to the condensed interim financial statements  
Six months ended March 31, 2020 and 2019  
(Expressed in Canadian dollars)  
(Unaudited)

**10. Subsequent Events**

***Conversion of Special Warrants***

On April 1, 2020, 472,500 Special Warrants were converted to common shares of the Company. See Note 3 and 6 for further information.

***Amendment of Tip Top Gold purchase agreement***

On April 28, 2020, the Company entered into an amending agreement to the purchase and sale agreement for the Tip Top Gold property. In lieu of the previous US\$250,000 share payment, the amended agreement now requires the Company to issue the vendor its publicly traded shares (or shares of the resulting issuer of a going public transaction) equal to a value of US\$175,000 on or before May 12, 2021; and, to pay an amount of US\$25,000 in cash on each of the first, second and third anniversaries of May 12, 2021.

***Amalgamation with Aura Resources Inc.***

On July 24, 2020, the Company closed an amalgamation agreement with Aura Resources Inc. ("Aura") whereby the Company and Aura's wholly-owned subsidiary, 1251498 B.C. Ltd. amalgamated to become a wholly-owned subsidiary of Aura called Territory Metals Ltd. Aura is publicly listed for trading on the TSX Venture Exchange. Following the amalgamation Aura changed its name to Gold79 Mines Ltd.

Under the terms of the amalgamation agreement, Aura acquired all the outstanding common shares of Territory, with each Territory share exchanged for two common shares of Aura, resulting in Aura issuing a total of 26,581,400 common shares to the shareholders of Territory. In addition, the Company's 160,000 warrants outstanding at closing of the amalgamation were exchanged for 320,000 warrants of the Aura with equivalent terms.

**SCHEDULE B**

**TERRITORY METALS CORP.**

Financial Statements

Years Ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Territory Metals Corp.

#### Opinion

We have audited the financial statements of Territory Metals Corp. (the "Company"), which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### 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 Auditor's Responsibilities for the Audit of the 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 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 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 financial statements, which indicates that the Company has not generated any revenues and incurred negative cash flow from operations during the year ended September 30, 2019 and, as of that date, the Company has an accumulated deficit of \$1,139,387. 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.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Lonny Wong.

A handwritten signature in cursive script that reads "Saturna Group LLP".

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

March 10, 2020

**TERRITORY METALS CORP.**Statements of financial position  
(Expressed in Canadian dollars)

	September 30, 2019 \$	September 30, 2018 \$
<b>Assets</b>		
Current assets		
Cash	293,041	358,034
Amounts receivable	8,500	3,150
Total current assets	301,541	361,184
Non-current assets		
Exploration and evaluation assets (Note 3)	45,326	–
<b>Total assets</b>	<b>346,867</b>	<b>361,184</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	63,813	47,328
<b>Total liabilities</b>	<b>63,813</b>	<b>47,328</b>
Shareholders' equity		
Share capital	1,393,948	1,318,948
Share subscriptions receivable (Note 5)	(3,750)	(198,250)
Warrants reserve	32,243	32,243
Deficit	(1,139,387)	(839,085)
<b>Total shareholders' equity</b>	<b>283,054</b>	<b>313,856</b>
<b>Total liabilities and shareholders' equity</b>	<b>346,867</b>	<b>361,184</b>

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on March 10, 2020:

/s/ "Gary Thompson"

Gary Thompson, Director

/s/ "Sorin Posescu"

Sorin Posescu, Director

(The accompanying notes are an integral part of these financial statements)

**TERRITORY METALS CORP.**Statements of operations and comprehensive loss  
(Expressed in Canadian dollars)

	Year ended September 30, 2019 \$	Year ended September 30, 2018 \$
Expenses		
Consulting fees	—	15,000
Impairment of exploration and evaluation assets (Note 3)	—	396,577
Investor relations (recovery)	(49,261)	256,069
Management and directors' fees (Note 4)	269,000	124,000
Office and miscellaneous	484	2,031
Professional fees	75,694	21,420
Travel	3,579	13,270
Website costs (Note 4)	806	10,693
Total expenses	300,302	839,060
Net loss and comprehensive loss	(300,302)	(839,060)
Loss per share, basic and diluted	(0.03)	(0.10)
Weighted average shares outstanding	9,768,200	7,990,503

(The accompanying notes are an integral part of these financial statements)

**TERRITORY METALS CORP.**Statements of changes in equity  
(Expressed in Canadian dollars)

	Share capital		Share subscriptions receivable \$	Warrants reserve \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$				
Balance, September 30, 2017	4,100,000	152,000	(152,000)	–	(25)	(25)
Shares issued for cash	4,628,200	1,157,050	(78,250)	–	–	1,078,800
Share issuance costs	–	(100,102)	–	32,243	–	(67,859)
Shares issued for investor relations services	1,040,000	110,000	–	–	–	110,000
Share subscriptions received	–	–	32,000	–	–	32,000
Net loss for the year	–	–	–	–	(839,060)	(839,060)
Balance, September 30, 2018	9,768,200	1,318,948	(198,250)	32,243	(839,085)	313,856
Shares returned by investor relations consultant and cancelled	(500,000)	(50,000)	–	–	–	(50,000)
Shares issued for directors' fees	500,000	125,000	–	–	–	125,000
Share subscriptions received	–	–	194,500	–	–	194,500
Net loss for the year	–	–	–	–	(300,302)	(300,302)
Balance, September 30, 2019	9,768,200	1,393,948	(3,750)	32,243	(1,139,387)	283,054

(The accompanying notes are an integral part of these financial statements)

**TERRITORY METALS CORP.**

Statements of cash flows

(Expressed in Canadian dollars)

	Year ended September 30, 2019 \$	Year ended September 30, 2018 \$
Operating activities		
Net loss	(300,302)	(839,060)
Items not involving cash:		
Impairment of exploration and evaluation assets	–	396,577
Shares issued for management fees	125,000	–
Shares issued (returned) for investor relations	(50,000)	110,000
Changes in non-cash operating working capital:		
Amounts receivable	(5,350)	(3,150)
Accounts payable and accrued liabilities	16,485	47,328
Net cash used in operating activities	(214,167)	(288,305)
Investing activities		
Exploration and evaluation asset expenditures	(45,326)	(396,577)
Net cash used in investing activities	(45,326)	(396,577)
Financing activities		
Proceeds from issuance of shares / share subscriptions received	194,500	1,110,800
Share issuance costs	–	(67,859)
Net cash provided by financing activities	194,500	1,042,941
Change in cash	(64,993)	358,059
Cash, beginning of year	358,034	(25)
Cash, end of year	293,041	358,034
Non-cash investing and financing activities:		
Fair value of broker's warrants issued	–	32,243

(The accompanying notes are an integral part of these financial statements)

# **TERRITORY METALS CORP.**

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

## **1. Nature of Operations and Continuance of Business**

Territory Metals Corp. (the "Company") was incorporated in the province of British Columbia on May 11, 2017. The Company's registered address is at Suite 551, 409 Granville Street, Vancouver, BC, V6C 1T2.

The Company is an exploration stage company in the process of exploring its Tip Top Gold mineral property located in the State of Nevada, USA and has not yet determined whether its property contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurances that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations of the projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These financial statements have been prepared on the 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 year ended September 30, 2019, the Company has not generated any revenues and incurred negative cash flow from operations. As at September 30, 2019, the Company has an accumulated deficit of \$1,139,387. The continued operations of the Company are dependent on its ability to generate future cash flows from its operations or obtain additional financing. Management is pursuing additional financing. Management is of the opinion that sufficient working capital can be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## **2. Significant Accounting Policies**

### **(a) Basis of Presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a going concern basis. The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **(b) Use of Estimates and Judgments**

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of exploration and evaluation assets, fair value of share-based payments, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

## TERRITORY METALS CORP.

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (b) Use of Estimates and Judgments (continued)

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 are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

#### (c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

#### (d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

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, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within 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.

#### *Mineral Property Options*

The Company does not record any expenditures made by the optionee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation option arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized.

## TERRITORY METALS CORP.

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (e) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

#### (f) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive, or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant, and equipment. These costs are depreciated using either the unit-of-production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

## TERRITORY METALS CORP.

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (g) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

#### Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

#### Impairment of Financial Assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

## TERRITORY METALS CORP.

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (g) Financial Instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### (h) Financial Liabilities and Equity Instruments

##### Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

##### Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (i) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

## TERRITORY METALS CORP.

Notes to the financial statements

Years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (j) Income Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (k) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

## TERRITORY METALS CORP.

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant accounting policies (continued)

#### (l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at September 30, 2019, the Company had 1,360,000 (2018 – 1,200,000) potentially dilutive shares outstanding.

#### (m) Comprehensive Loss

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of operations.

#### (n) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2019, and have not been applied in preparing these financial statements.

##### New standard IFRS 16, “Leases”

The Company has not early adopted this new standard and it will not have any impact on the Company’s financial statements.

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

### 3. Exploration and Evaluation Assets

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

	Tip Top Gold \$
<i>Acquisition Costs:</i>	
Balance, September 30, 2018	–
Additions	20,622
<u>Balance, September 30, 2019</u>	<u>20,622</u>
<i>Exploration Costs:</i>	
Balance, September 30, 2018	–
Exploration administration	7,121
Geological	10,672
Travel and accommodations	6,911
<u>Balance, September 30, 2019</u>	<u>24,704</u>
<u>Net carrying value, September 30, 2019</u>	<u>45,326</u>

## TERRITORY METALS CORP.

Notes to the financial statements  
 Years ended September 30, 2019 and 2018  
 (Expressed in Canadian dollars)

### 3. Exploration and Evaluation Assets (continued)

	Hinton \$	Einarson \$	Total \$
<i>Acquisition Costs:</i>			
Balance, September 30, 2017	–	–	–
Additions	100,000	200,000	300,000
Impairment	(100,000)	(200,000)	(300,000)
Balance, September 30, 2018	–	–	–
<i>Exploration Costs:</i>			
Balance, September 30, 2017	–	–	–
Exploration administration	41,790	11,265	53,055
Geological	18,270	25,252	43,522
Impairment	(60,060)	(36,517)	(96,577)
Balance, September 30, 2018	–	–	–
Net carrying value, September 30, 2018	–	–	–

- (a) On July 27, 2017 (as amended on March 5, 2018), the Company entered into an agreement to acquire a 100% interest in certain mineral claims located in the Mayo Mining District, Yukon Territory. Under the terms of the agreement, the Company paid \$100,000 on or before March 16, 2018, was to issue common shares equal to 19.9% of the total number shares of the Company prior to its Initial Public Offering (“IPO”) and 19.9% of the common shares of the Company issued to complete the first \$2,000,000 portion of the IPO, was to pay the vendor \$400,000 as reimbursement of costs incurred by the vendor related to the acquisition and exploration of the property, and was to assume the reclamation obligations up to a maximum of \$300,000. The agreement was mutually terminated on June 29, 2018 and the Company recognized an impairment of \$160,060.
- (b) On January 10, 2018 (as amended on February 16, 2018), the Company entered into an option agreement to acquire a 70% interest in the Einarson mineral claims and a 100% interest in certain mineral claims located in Yukon Territory. Under the terms of the agreement, the Company paid \$200,000 on February 16, 2018 and was to pay an additional \$2,300,000 and issue 5,000,000 common shares over a four year period ending on May 4, 2022. The agreement was terminated by the optionor on July 17, 2018 as a result of the Company not making payments as per the terms of the agreement. As a result, the Company recognized an impairment of \$236,517.
- (c) On May 12, 2019, the Company entered into an agreement with Parker Mining Corporation to acquire a 100% interest in mineral claims located in Esmeralda County, Nevada, USA. Under the terms of the agreement, the Company made a US\$15,000 payment upon the execution of the agreement, and the Company is to issue the number of shares equal to US\$250,000 to the vendor upon closing of the transaction. The optionor retains a 1% net smelter return (“NSR”) royalty on the property, and the Company shall pay the vendor a cash payment in the amount of US\$200,000 within 30 days upon completion by the Company of a bankable feasibility study. The Company may purchase the NSR royalty by paying the optionor US\$1,000,000.

## **TERRITORY METALS CORP.**

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
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### **4. Related Party Transactions**

- (a) As at September 30, 2019, the Company owes \$24,000 (2018 - \$24,000) to a director of the Company which is included in accounts payable and accrued liabilities.
- (b) During the year ended September 30, 2019, the Company incurred management fees of \$60,000 (2018 - \$50,000) to a company controlled by the President of the Company.
- (c) During the year ended September 30, 2019, the Company issued 300,000 common shares with a fair value of \$75,000 to the President of the Company which was recorded as management fees.
- (d) During the year ended September 30, 2019, the Company incurred management fees of \$60,000 (2018 - \$50,000) to a company controlled by a director of the Company.
- (e) During the year ended September 30, 2019, the Company issued 200,000 common shares with a fair value of \$50,000 to a director of the Company which was recorded as management fees.
- (f) During the year ended September 30, 2019, the Company incurred director's fees of \$24,000 (2018 - \$24,000) to a director of the Company.
- (g) During the year ended September 30, 2018, the Company incurred website costs of \$10,000 to the spouse of the President of the Company.

### **5. Share Capital**

Authorized: unlimited common shares without par value

- (a) On October 31, 2017, the Company issued 1,000,000 common shares with a fair value of \$100,000 for investor relations services.
- (b) On February 1, 2018, the Company issued 3,130,000 common shares at \$0.25 per share for proceeds of \$782,500. Included in this issuance were 240,000 common shares for proceeds of \$60,000 to a company controlled by the President of the Company, 40,000 common shares for proceeds of \$10,000 to the spouse of the President of the Company, and 240,000 common shares for proceeds of \$60,000 to a company controlled by a director of the Company. In connection with the issuance, the Company incurred issuance costs of \$67,859 and issued 160,000 broker's warrants with a fair value of \$32,243. Each broker's warrant is exercisable at \$0.25 per share for a period of three years. The brokers' warrants were calculated using the Black-Scholes option pricing model using the following assumptions: no dividends, no expected forfeitures, volatility of 150%, expected option life of 3 years, and a risk-free rate of 1.98%.
- (c) On February 1, 2018, the Company issued 40,000 common shares with fair value of \$10,000 for investor relations services.
- (d) On February 27, 2018, the Company issued 1,448,700 common shares at \$0.25 per share for proceeds of \$362,175, of which \$74,000 was receivable as at September 30, 2018. Included in this issuance was 140,000 common shares for proceeds of \$35,000 to a director of the Company.
- (e) On February 28, 2018, the Company issued 49,500 common shares for proceeds of \$12,375 of which \$4,250 was receivable as at September 30, 2018.
- (f) On September 5, 2019, an investor relations consultant returned 500,000 common shares with a fair value of \$50,000 to the Company which were then cancelled.
- (g) On September 13, 2019, the Company issued 500,000 common shares with fair value of \$125,000 to the President and a director of the Company. Refer to Notes 4(c) and (e).
- (h) During the year ended September 30, 2019, the Company received share subscription proceeds of \$194,500 (2018 - \$32,000) with \$3,750 (2018 - \$198,250) remaining as receivable as at September 30, 2019.

## TERRITORY METALS CORP.

Notes to the financial statements  
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### 6. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, September 30, 2017 and 2018	1,200,000	0.10
Issued	160,000	0.25
Balance, September 30, 2019	1,360,000	0.12

As at September 30, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
160,000	0.25	February 1, 2021
1,200,000	0.10	May 31, 2022
1,360,000		

### 7. Financial Instruments and Risk Management

#### (a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

#### (c) Foreign Exchange Rate Risk

The Company operates in Canada and United States. Future exploration programs and option payments may be denominated in U.S. dollars. Foreign exchange risk will arise from purchase transactions as well as financial assets and liabilities denominated in this foreign currency. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

## TERRITORY METALS CORP.

Notes to the financial statements  
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### 7. Financial Instruments and Risk Management (continued)

#### (d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

#### (e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

#### (e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

### 8. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions received, and warrants reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended September 30, 2018.

### 9. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019 \$	2018 \$
Canadian statutory income tax rate	27%	26.75%
Income tax recovery at statutory rate	(81,082)	(224,449)
Tax effect of:		
Permanent difference and others	263	(18,034)
Change in enacted tax rate	—	(2,265)
Change in unrecognized deferred income tax assets	80,819	244,748
Income tax provision	—	—

## TERRITORY METALS CORP.

Notes to the financial statements  
Years ended September 30, 2019 and 2018  
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### 9. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2019	2018
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	207,505	123,021
Resource pools	107,076	107,076
Share issuance costs	10,993	14,658
Total gross deferred income tax assets	325,574	244,755
Unrecognized deferred income tax assets	(325,574)	(244,755)
Net deferred income tax asset	—	—

As at September 30, 2019, the Company has non-capital losses carried forward of \$768,536, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2037	25
2038	455,609
2039	312,902
	768,536

As at September 30, 2019, the Company has mineral resources related expenditure pools totalling \$441,903, which may be deducted against future taxable income on a discretionary basis.

### 10. Segmented Information

The Company operates in one industry, the mineral resource industry with all current exploration activities conducted in United States.