

BLACK MOUNTAIN GOLD USA CORP.
(formerly Huffington Capital Corp.)

Consolidated Financial Statements

August 31, 2020

Presented in Canadian dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Black Mountain Gold USA Corp. (formerly Huffington Capital Corp.)

Opinion

We have audited the consolidated financial statements of Black Mountain Gold USA Corp. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, 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 audit 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 to the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 auditor's report is Matthew Gosden.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 28, 2020



BLACK MOUNTAIN GOLD USA CORP.Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	August 31, 2020	August 31, 2019
Assets			
Current assets			
Cash and equivalents		\$ 798,658	\$ 155,782
Interest receivable		-	591
Prepaid expenses		-	433
Total assets		\$ 798,658	\$ 156,806
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	3, 8	\$ 52,558	\$ 13,168
Subscriptions received	9	710,707	-
		763,265	13,168
Shareholders' equity			
Share capital	4	399,179	399,179
Share based payment reserve		35,584	35,584
Deficit		(399,370)	(291,125)
Total shareholders' equity		35,393	143,638
Total liabilities and shareholders' equity		\$ 798,658	\$ 156,806

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"Robert Meister"

Robert Meister, Director

"Graham Harris"

Graham Harris, Director

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

BLACK MOUNTAIN GOLD USA CORP.Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Year-ended August 31, 2020	Year-ended August 31, 2019
Administrative expenses (income):			
General and administrative	8	\$ 14,590	\$ 28,610
Transfer agent and filing fees		23,172	15,611
Professional fees		71,036	18,125
Interest income		(553)	(1,322)
Net and comprehensive loss		\$ (108,245)	\$ (61,024)
Weighted average number of outstanding shares		2,075,000	1,787,329
Basic and diluted loss per share		\$ (0.05)	\$ (0.03)

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

BLACK MOUNTAIN GOLD USA CORP.

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital		Share based payment reserve	Deficit	Total shareholders' equity
	Number of Common Shares	Amount			
Balance, August 31, 2018	1,575,000	\$ 282,591	\$ 35,584	\$ (230,101)	\$ 88,074
Shares issued for cash	500,000	125,000	-	-	125,000
Less: share issuance costs	-	(8,412)	-	-	(8,412)
Net and comprehensive loss	-	-	-	(61,024)	(61,024)
Balance, August 31, 2019	2,075,000	399,179	35,584	(291,125)	143,638
Net and comprehensive loss	-	-	-	(108,245)	(108,245)
Balance, August 31, 2020	2,075,000	\$ 399,179	\$ 35,584	\$ (399,370)	\$ 35,393

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

BLACK MOUNTAIN GOLD USA CORP.Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year-ended August 31, 2020	Year-ended August 31, 2019
Cash provided by (used in):		
Operating activities		
Net loss	\$ (108,245)	\$ (61,024)
Changes in non-cash working capital items:		
Interest receivable	591	(452)
Prepaid expenses	433	1,300
Accounts payable and accrued liabilities	39,390	8,184
Cash used in operating activities	(67,831)	(51,992)
Financing activities		
Subscriptions received	710,707	-
Proceeds from issuance of shares, net of issuance costs	-	116,588
Cash from financing activities	710,707	116,588
Increase in cash and equivalents	642,876	64,596
Cash and equivalents, beginning	155,782	91,186
Cash and equivalents, ending	\$ 798,658	\$ 155,782
Cash and equivalents consists of the following:		
Cash at bank	\$ 798,658	\$ 5,782
Guaranteed investment certificate - redeemable	-	150,000
Cash and equivalents	\$ 798,658	\$ 155,782

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

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Black Mountain Gold USA Corp. (formerly Huffington Capital Corp.) (the "Company") was incorporated in British Columbia under the Business Corporations Act on July 21, 2015 and its head office is located at 1177 West Hastings Street, Suite 2310, Vancouver, British Columbia, V6E 2K3.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). The Company completed its IPO on April 19, 2016. A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. The Company did not complete a Qualifying Transaction within the 24 month period and therefore the listing of the Company's common shares was transferred to NEX.

Pursuant to an agreement entered into on July 4, 2020 between, the Company, the Company's wholly owned Nevada subsidiary, Mohave USA Gold Corp., ML Nevada Corp. (M3 Metals Nevada), a wholly owned subsidiary of M3 Metals Corp. ("M3 Metals"), and M3 Metals, the Company was granted an option to acquire up to a 90% interest in certain mineral properties (the "Mohave Project") in Mohave County, Arizona (the "Definitive Option Agreement"). The Definitive Option Agreement constituted the Company's Qualifying Transaction. Concurrent with the Qualifying Transaction, the Company completed a private placement (the "Concurrent Financing"), consisting of the sale of 11,875,000 units (the "Units") at \$0.08 per Unit with each Unit comprised of one common share and one common share purchase warrant exercisable at \$0.12 for a period of one (1) year from the date of issue. Following Completion of the Transaction and the Concurrent Financing on November 5, 2020, the Company's common shares were listed on the Exchange as a Tier 2 mining issuer under the symbol BMG. See Note 9.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern. The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

The consolidated financial statements were approved by the board of directors on December 23, 2020.

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

The consolidated financial statements of the Company consolidate the accounts of the Company and its subsidiary. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are those entities that the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company.

The wholly owned subsidiary of the Company which is included in these consolidated financial statements as at August 31, 2020 is Mohave USA Gold Corp. which was incorporated in the State of Nevada on June 17, 2020.

(c) Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 fair value of stock-based compensation, and the recognition of deferred income tax assets. Actual results may differ from these estimates. Significant areas requiring the use of judgment in applying the Company's accounting policies include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

(d) 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 profit or loss. 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 asset and liability 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 profit 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.

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments

The Company accounts for its financial instruments in accordance with IFRS 9 Financial Instruments as follows:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise.

Debt investments at FVOCI

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

Equity investments at FVOCI

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

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

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

(f) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(g) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

(h) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Cash and equivalents

Cash and equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(j) Adoption of new accounting standards

Effective September 1, 2019, the Company adopted IFRS 16, Leases (“IFRS 16”), which replaced IAS 17, Leases. IFRS 16 requires lessees to recognize a lease liability reflective of future lease payments and a “right-of-use asset” for virtually all lease contracts, which will cause, with limited exceptions, most leases to be recorded on the statement of financial position. The adoption of IFRS 16 does not result in any adjustment to the opening statement of financial position on September 1, 2019.

(k) New standards not yet adopted and interpretations issued but not yet effective

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2020	August 31, 2019
Accounts payable	\$ 2,594	\$ 7,668
Accrued liabilities	49,964	5,500
	<u>\$ 52,558</u>	<u>\$ 13,168</u>

4. SHARE CAPITAL

Common shares

The Company has authorized an unlimited number of common and preferred shares without par value.

1,000,000 of the Company’s common shares originally issued to its founders were on deposit with a trustee under an escrow agreement pursuant to Policy 2.4 of the Exchange. As a consequence of the Company not completing a Qualifying Transaction within 24 months of its IPO, 500,000 of those common shares were returned to treasury and cancelled for no consideration. 10% of the remaining 500,000 common shares will be released from escrow on the issuance on the final Exchange bulletin on the closing of a Qualifying Transaction and an additional 15% will be released every six months following the initial release over a period of thirty-six months.

On March 29, 2019, the Company issued 500,000 common shares at \$0.25 per share for proceeds of \$116,588, net of share issuance costs of \$8,412.

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

4. SHARE CAPITAL (Continued)

Loss per share

Outstanding stock options have been excluded from the calculation of diluted loss per share as the effect would be anti-dilutive.

Stock Options

The Company has adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to five years from the date the common shares are listed on the Exchange. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The following table summarizes changes in stock options for the years ended August 31, 2020 and 2019:

	August 31, 2020		August 31, 2019	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding at the beginning of the year	200,000	\$0.20	200,000	\$0.20
Cancelled	(100,000)	0.20	-	0.20
Outstanding at the end of the year	100,000	\$0.20	200,000	\$0.20

The following table summarizes information about stock options outstanding and exercisable at August 31, 2020:

Number of Shares	Exercise Price	Expiry Date	Exercisable
100,000	\$0.20	April 19, 2026	100,000

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

5. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year-ended August 31, 2020	Year-ended August 31, 2019
Net loss before income tax	\$ (108,245)	\$ (61,024)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(29,226)	(16,476)
Change in tax rates	-	(3,323)
Deferred tax assets not recognized	29,226	19,799
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized as the availability of future taxable profits is uncertain:

	August 31, 2020
Non-capital losses	\$ 282,918
Share issue costs	\$ 10,139

The non-capital losses expire in the years 2036 – 2040.

6. FINANCIAL INSTRUMENTS AND RISKS

(a) Fair values

The fair values of cash, accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations.

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

6. FINANCIAL INSTRUMENTS AND RISKS (Continued)

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

(e) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As of August 31, 2020, the Company was not exposed to currency risk.

7. CAPITAL MANAGEMENT

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

8. RELATED PARTY TRANSACTIONS

For the year ended August 31, 2020, the Company incurred rent expense of \$8,663 (2019 - \$15,500) to a company controlled by officers of the Company.

9. SUBSEQUENT EVENTS

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

9. SUBSEQUENT EVENTS (Continued)

On November 5, 2020, the Company completed its Qualifying Transaction (Note 1). Pursuant to the Definitive Option Agreement, the Company was granted an option to acquire up to a 90% interest in the Mohave Project in Mohave County, Arizona.

Under the Definitive Option Agreement, to exercise the Option as to a ninety (90%) percent interest in and to the Mohave Project, the Company (directly or through Mohave USA Gold Corp.) must:

- a) Pay to M3 Metals Nevada the sum of CDN\$300,000 upon Closing of the Qualifying Transaction (paid subsequent to August 31, 2020);
- b) Pay to M3 Metals Nevada the sum of CDN\$400,000 on the eighteen month anniversary of the Definitive Option Agreement;
- c) Pay to M3 Metals Nevada the sum of CDN\$400,000 on the second anniversary of the Definitive Option Agreement;
- d) On or before the third anniversary of the Definitive Option Agreement pay to M3 Metals or to M3 Metals Nevada (at M3 Metals' option) CDN\$2million which payment may, at the Company's option, be made up to fifty (50%) percent in common shares of the Company (the "Shares") based on those Shares' market price on the date of their issuance;
- e) On or before the third anniversary of the Definitive Option Agreement, make CDN\$1million in aggregate exploration expenditures on the Mohave Project;
- f) On or before the fourth anniversary of the Definitive Option Agreement pay to M3 Metals or to M3 Metals Nevada (at M3 Metals' option) CDN\$3million which payment may, at the Company's option, be made up to fifty (50%) percent in Shares based on those Shares' market price on the date of their issuance; and
- g) On or before the fourth anniversary of the Definitive Option Agreement, make an additional CDN\$2million in exploration expenditures (for a total of at least CDN\$3million) on the Mohave Project.

Upon having made the payments and the exploration expenditures in (a)-(g) above the Company will have exercised the Option as to a ninety (90%) percent interest in the Mohave Project.

It is a condition of the Definitive Option Agreement that the Company assume the obligations of M3 Metals under the Underlying Agreement. To meet these obligations, the Company must:

- a) On or before that day which is ten (10) days after the Payment Commencement Date, pay the sum of USD\$75,000 to the vendors and finder (the "Vendors") under the Underlying Agreement;
- b) On or before that day which is ten (10) days after the first anniversary of the Payment Commencement Date, pay the sum of USD\$100,000 to the Vendors;
- c) On or before that day which is ten (10) days after the second anniversary date of the Payment Commencement Date, pay the sum of USD\$150,000 to the Vendors;
- d) On or before that day which is ten (10) days after the third anniversary date of the Payment Commencement Date, pay the sum of USD\$200,000 to the Vendors; and
- e) On or before that day which is ten (10) days after the fourth anniversary date of the Payment Commencement Date, pay the sum of USD\$3,000,000 to the Vendors.

"Payment Commencement Date" above means the earlier of: (i) the receipt of BLM (US Federal Bureau of Land Management) approval of further permits to conduct work on the Mohave Project; and (ii) March 21, 2021. The Payment Commencement Date cannot be before September 21, 2020. The Company expects receipt of these permits in 2021.

BLACK MOUNTAIN GOLD USA CORP.

Notes to the Consolidated Financial Statements

For the year ended August 31, 2020

(Expressed in Canadian dollars)

9. SUBSEQUENT EVENTS (Continued)

The Underlying Agreement also contains requirements for exploration expenditures on the Mohave Project which expenditures are expected to be met (and exceeded) by the Company making the expenditures detailed above.

On November 4, 2020, the Company closed the Concurrent Financing with the issuance of 11,875,000 units at a price of \$0.08 per unit for gross proceeds of \$950,000. Each unit consists of one common share of the Company and one share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share of the Company at \$0.12 per share for 1 year from the date of issuance. Included in subscriptions received as at August 31, 2020 is \$710,707 relating to the Concurrent Financing.