

# Kanadario Gold Inc.

## Financial Statements

Year Ended October 31, 2020

(Expressed in Canadian Dollars)

Kanadario Gold Inc.

Year Ended October 31, 2020

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## Independent Auditor's Report

To the Shareholders of Kanadario Gold Inc.

### Opinion

We have audited the financial statements of Kanadario Gold Inc. ("the Company"), which comprise the statements of financial position as at October 31, 2020 and October 31, 2019 and the statements of 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 October 31, 2020 and October 31, 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.

### Other Information

Management is responsible for the other information. The other information comprises:

- 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.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 Diana Huang.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
December 15, 2020**

Kanadario Gold Inc.  
 Statements of Financial Position  
 October 31,  
 (Expressed in Canadian Dollars)

	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,156,187	\$ 778,986
Receivables	18,536	3,815
Prepaid expenses	45,866	-
	1,220,589	782,801
<b>Exploration and Evaluation Assets</b> (note 7)	320,481	236,418
	\$ 1,541,070	\$ 1,019,219
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 85,664	\$ 70,467
	85,664	70,467
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 9)	2,320,342	1,144,435
<b>Share-based Payments Reserve</b> (note 9)	56,794	65,005
<b>Deficit</b>	(921,730)	(260,688)
	1,455,406	948,752
	\$ 1,541,070	\$ 1,019,219

**Subsequent Events** (note 13)

Approved on behalf of the Board:

<i>"Elif Levesque"</i>	<i>"David Fennell"</i>
..... Director	..... Director
Elif Lévesque	David Fennell

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

Kanadario Gold Inc.  
Statements of Comprehensive Loss  
Years Ended October 31,  
(Expressed in Canadian Dollars)

	2020	2019
<b>Expenses</b>		
Consulting fees (note 8)	\$ 243,500	\$ 41,557
Impairment of exploration and evaluation assets (note 7)	169,500	-
Office and general	22,637	6,644
Professional fees (note 8)	147,873	72,514
Rent (note 8)	24,000	-
Share-based compensation (notes 8 and 9)	-	48,583
Shareholder communications	823	-
Transfer agent and filing fees	51,731	33,212
Travel	4,208	-
	(664,272)	(202,510)
<b>Other Item</b>		
Interest income	3,230	-
<b>Loss Before Income Taxes</b>	(661,042)	(202,510)
Deferred income tax recovery (note 11)	-	24,000
<b>Net Loss and Comprehensive Loss for the Year</b>	\$ (661,042)	\$ (178,510)
<b>Basic and Diluted Loss Per Share</b> (note 12)	\$ (0.05)	\$ (0.03)
<b>Weighted Average Number of Common Shares Outstanding – Basic and Diluted</b>	14,282,855	6,948,082

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

Kanadario Gold Inc.  
Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	Share Capital		Share-based Payments Reserve	Deficit	Total
	Number of Shares	Share Capital			
<b>Balance, October 31, 2018</b>	<b>4,050,000</b>	<b>\$ 202,500</b>	<b>\$ -</b>	<b>\$ (82,178)</b>	<b>\$ 120,322</b>
Share issuances	8,600,000	1,080,000	-	-	1,080,000
Share issue costs	-	(138,065)	16,422	-	(121,643)
Stock options granted	-	-	48,583	-	48,583
Net loss and comprehensive loss for the year	-	-	-	(178,510)	(178,510)
<b>Balance, October 31, 2019</b>	<b>12,650,000</b>	<b>1,144,435</b>	<b>65,005</b>	<b>(260,688)</b>	<b>948,752</b>
Share issuances	11,000,000	1,100,000	-	-	1,100,000
Share issue costs	-	(47,554)	-	-	(47,554)
Shares issued for exploration and evaluation assets	500,000	87,500	-	-	87,500
Warrants exercised	185,000	27,750	-	-	27,750
Fair value of warrants transferred upon exercise	-	8,211	(8,211)	-	-
Net loss and comprehensive loss for the year	-	-	-	(661,042)	(661,042)
<b>Balance, October 31, 2020</b>	<b>24,335,000</b>	<b>\$ 2,320,342</b>	<b>\$ 56,794</b>	<b>\$ (921,730)</b>	<b>\$ 1,455,406</b>

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

Kanadario Gold Inc.  
Statements of Cash Flows  
Years Ended October 31,  
(Expressed in Canadian Dollars)

	2020	2019
<b>Operating Activities</b>		
Net loss for the year	\$ (661,042)	\$ (178,510)
Items not involving cash		
Impairment of exploration and evaluation assets	169,500	-
Share-based compensation	-	48,583
Deferred income recovery	-	(24,000)
Changes in non-cash working capital		
Receivables	(14,721)	(1,677)
Prepaid expenses	(45,866)	-
Accounts payable and accrued liabilities	15,197	59,732
<b>Cash Used in Operating Activities</b>	<b>(536,932)</b>	<b>(95,872)</b>
<b>Investing Activity</b>		
Exploration and evaluation assets, net	(166,063)	(147,615)
<b>Cash Used in Investing Activity</b>	<b>(166,063)</b>	<b>(147,615)</b>
<b>Financing Activities</b>		
Shares issued for cash	1,127,750	1,080,000
Share issue costs	(47,554)	(121,643)
<b>Cash Provided by Financing Activities</b>	<b>1,080,196</b>	<b>958,357</b>
<b>Inflow of Cash</b>	<b>377,201</b>	<b>714,870</b>
<b>Cash, Beginning of Year</b>	<b>778,986</b>	<b>64,116</b>
<b>Cash, End of Year</b>	<b>\$ 1,156,187</b>	<b>\$ 778,986</b>
<b>Supplemental Disclosure with Respect to Cash Flows</b>		
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Interest received	\$ 3,230	\$ -
Fair value of shares issued for exploration and evaluation assets	\$ 87,500	\$ -
Exploration and evaluation assets included in accounts payable and accrued liabilities (opening)	\$ -	\$ 44,892
Exploration and evaluation assets included in accounts payable and accrued liabilities (closing)	\$ -	\$ -

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

# Kanadario Gold Inc.

## Notes to the Financial Statements

For the Years Ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Kanadario Gold Inc. (the “Company”) is an exploration stage company incorporated on November 23, 2017, under the laws of the province of British Columbia, Canada. Its principal business activity is the acquisition, exploration, evaluation and development of mineral properties located in the province of Québec, Canada. The Company’s head office and principal business address is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company’s registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

On October 22, 2019, the Company completed its initial public offering (“IPO”). The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “KANA”.

### 2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company has no sources of revenue and negative cash flows from operations. In November 2020, the Company closed a brokered private placement for gross proceeds of \$36,930,000. Based on its current plans, budgeted expenditures, and cash requirements, the Company has sufficient cash to finance its current plans for at least 12 months from the date the financial statements are issued.

The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. Should such financing not be available in that time-frame, the Company will be required to reduce its activities and will not be able to carry out all of its presently planned exploration and development activities on its currently anticipated scheduling.

These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company’s project exploration activities, cash flows and liquidity.

### 3. BASIS OF PREPARATION

#### a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on December 15, 2020.

**3. BASIS OF PREPARATION** (Continued)

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies (note 4). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies have been applied consistently throughout by the Company for purposes of these financial statements.

a) Exploration and evaluation assets

i) *Pre-exploration costs*

Pre-exploration costs are expensed in the year in which they are incurred.

ii) *Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and amortization on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Mining exploration tax credits for certain exploration expenditures incurred in Québec are treated as a reduction of the exploration and development costs of the respective resource property. The amounts are recorded in the year they are received.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures that would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration and evaluation assets.

Exploration and evaluation assets are classified as intangible.

**4. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

a) Exploration and evaluation assets (continued)

*iii) Decommissioning liabilities*

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through amortization of the asset and unwinding of the discount on the provision.

Amortization is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset and charged against operating profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

*iv) Tax credits*

The federal and provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company records these credits in the year received.

b) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income or loss.

c) Financial instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVTOCI") are measured at fair value through profit or loss ("FVTPL"). On initial recognition, the Company can irrevocably designate a financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Kanadario Gold Inc.  
Notes to the Financial Statements  
For the Years Ended October 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

c) Financial instruments (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified as FVTPL are measured at fair value with changes in those fair values recognized in profit or loss for the period. Financial assets and financial liabilities classified as amortized cost are subsequently measured at amortized cost using the effective interest method. Financial assets classified as FVTOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss. When the financial instrument is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

*Fair value hierarchy*

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- |          |  |
|----------|--|
| Level 1: | Quoted prices (unadjusted) in active markets for identical assets or liabilities.  |
| Level 2: | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3: | Inputs for assets or liabilities that are not based on observable market data.   |

d) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Kanadario Gold Inc.  
Notes to the Financial Statements  
For the Years Ended October 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

e) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted the residual method with respect to the measurement of shares and warrants issued as private placement units. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve.

The fair value of the common shares is based on the closing quoted bid price on the announcement date. The fair value attributed to the warrants is recorded in equity reserves.

f) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

g) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g) Share-based payments (continued)

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

h) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Upon issuance, the Company bifurcates the flow-through share into: (i) a flow-through share premium equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and (ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the investors. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

i) Cash

Cash includes cash on hand and demand deposits with financial institutions. At October 31, 2020 and 2019, the Company did not hold any cash equivalents.

j) New accounting standard adopted during the year

*IFRS 16 Leases*

Initial adoption

On November 1, 2019, the Company adopted IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, International Accounting Standard ("IAS") 17 *Leases*.

The Company has elected to apply IFRS 16 using a modified retrospective approach, which does not require restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at November 1, 2019 and applies the standard prospectively. The Company has determined that at November 1, 2019, adoption of IFRS 16 did not result in the recognition of a right-of-use ("ROU") asset nor a lease obligation.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- j) New accounting standard adopted during the year (continued)

*Ongoing recognition and measurement*

On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the statement of income/loss over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation expense.

- k) New accounting standard issued but not yet effective

*IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

IAS 1 and IAS 8 have been amended to use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting; clarify the explanation of the definition of material; and incorporate guidance in IAS 1 regarding immaterial information. The amendments to IAS 1 and IAS 8 are effective for years beginning on or after January 1, 2020. These amendments are expected to have no impact for the Company.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

*Critical judgments in applying accounting policies*

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next fiscal year are discussed below.

- a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

Kanadario Gold Inc.  
Notes to the Financial Statements  
For the Years Ended October 31, 2020 and 2019  
(Expressed in Canadian Dollars)

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**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

d) Going concern risk assessment

The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in note 2.

**6. FINANCIAL INSTRUMENTS**

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as FVTPL, and accounts payable and accrued liabilities as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following tables sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy:

<b>October 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$1,156,187	\$ -	\$ -	\$1,156,187

  

<b>October 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 778,986	\$ -	\$ -	\$ 778,986

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

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**6. FINANCIAL INSTRUMENTS** (Continued)

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk in respect of cash by placing at major Canadian financial institutions. The Company has minimal credit risk. The maximum exposure to credit risk at October 31, 2020 is on cash of \$1,156,187 (2019 - \$778,986). Receivables of \$18,536 (2019 - \$3,815) are owing from the Canada Revenue Agency.

b) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of October 31, 2020 equal \$85,664 (2019 - \$70,467). All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

*i) Currency risk* – The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at year-end.

*ii) Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

*iii) Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended October 31, 2020. The Company is not subject to externally imposed capital requirements.

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## 7. EXPLORATION AND EVALUATION ASSETS

### *Cameron Lake Project*

On June 1, 2018, the Company entered into a mineral property acquisition agreement to acquire a 100% interest in mineral claims located in the Cameron Lake area in the province of Québec. Under the terms of the agreement, the Company paid \$50,000 and issued 1,000,000 common shares of the Company (issued and valued at \$50,000).

The property is subject to a 2% net smelter return royalty, of which the Company may repurchase one-half (1%) for \$1,000,000.

### *Destor Property*

On April 30, 2020, the Company entered into an option agreement to acquire a 100% interest in mineral claims located in north-western Québec. Under the terms of the agreement, the Company was required to make cash payments and issue common shares of the Company as follows:

- Pay \$20,000 (paid) and issue 150,000 common shares of the Company within five days of approval by the TSX-V, which was received on May 21, 2020 (issued and valued at \$26,250);
- Pay \$20,000 and issue 50,000 common shares of the Company on or before May 21, 2021; and
- Pay \$21,000 and issue 50,000 common shares of the Company on or before May 21, 2022.

The property was subject to a 1.5% net smelter return royalty, of which the Company could repurchase one-half (0.75%) for \$500,000.

At October 31, 2020, the Company determined it would not continue exploration on the property. The Company recognized an impairment of \$49,583, and subsequent to October 31, 2020, the property obligations were assigned to a third-party.

### *Sunday Fault Property*

On April 30, 2020, the Company entered into an option agreement to acquire a 100% interest in mineral claims located in north-western Québec. Under the terms of the agreement, the Company was required to make cash payments and issue common shares of the Company as follows:

- Pay \$20,000 (paid) and issue 150,000 common shares of the Company within five days of approval by the TSX-V, which was received on May 21, 2020 (issued and valued at \$26,250);
- Pay \$20,000 and issue 50,000 common shares of the Company on or before May 21, 2021; and
- Pay \$21,000 and issue 50,000 common shares of the Company on or before May 21, 2022.

The property was subject to a 1.5% net smelter return royalty, of which the Company could repurchase one-half (0.75%) for \$500,000.

At October 31, 2020, the Company determined it would not continue exploration on the property. The Company recognized an impairment of \$49,583, and subsequent to October 31, 2020, the property obligations were assigned to a third-party.

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**7. EXPLORATION AND EVALUATION ASSETS (Continued)**

*Larder North Property*

On May 6, 2020, the Company entered into an option agreement to acquire a 100% interest in mineral claims located in Ontario. Under the terms of the agreement, the Company was required to make cash payments and issue common shares of the Company as follows:

- Pay \$32,000 (paid) and issue 200,000 common shares of the Company within five days of approval by the TSX-V, which was received on May 21, 2020 (issued and valued at \$35,000);
- Pay \$30,000 and issue 50,000 common shares of the Company on or before May 21, 2021; and
- Pay \$40,000 and issue 100,000 common shares of the Company on or before May 21, 2022.

The property was subject to a 1.5% net smelter return royalty, of which the Company could repurchase one-half (0.75%) for \$500,000.

At October 31, 2020, the Company determined it would not continue exploration on the property. The Company recognized an impairment of \$70,334, and subsequent to October 31, 2020, the property was surrendered to the vendor.

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7. EXPLORATION AND EVALUATION ASSETS (Continued)

A summary of exploration and evaluation expenditures for the years ended October 31, 2020 and 2019 is as follows:

	Cameron Lake Project	Destor Property	Sunday Fault Property	Larder North Property	Total
<b>Balance, October 31, 2018</b>	\$ 133,695	\$ -	\$ -	\$ -	\$ 133,695
<b>Acquisition Costs</b>					
Acquisition	50,000	-	-	-	50,000
Claim costs	8,660	-	-	-	8,660
<b>Total Acquisition Costs</b>	<b>58,660</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,660</b>
<b>Property Exploration Costs</b>					
Geological	9,971	-	-	-	9,971
Geophysics	34,092	-	-	-	34,092
<b>Total Property Exploration Costs</b>	<b>44,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,063</b>
<b>Balance, October 31, 2019</b>	<b>236,418</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236,418</b>
<b>Acquisition Costs</b>					
Acquisition	-	46,250	46,250	67,000	159,500
Claim costs	5,256	-	-	-	5,256
Impairment	-	(46,250)	(46,250)	(67,000)	(159,500)
<b>Total Acquisition Costs</b>	<b>5,256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,256</b>
<b>Property Exploration Costs</b>					
Geological	-	3,333	3,333	3,334	10,000
Geophysics	95,881	-	-	-	95,881
Mining tax credits	(17,074)	-	-	-	(17,074)
Impairment	-	(3,333)	(3,333)	(3,334)	(10,000)
<b>Total Property Exploration Costs</b>	<b>78,807</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,807</b>
<b>Balance, October 31, 2020</b>	\$ 320,481	\$ -	\$ -	\$ -	\$ 320,481

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**8. RELATED PARTY TRANSACTIONS**

These amounts of key management compensation are included in the amounts shown on the statements of comprehensive loss:

	Year Ended October 31, 2020	Year Ended October 31, 2019
Short-term compensation (consulting fees and professional fees)	\$ 91,000	\$ -
Share-based compensation	-	48,583
	\$ 91,000	\$ 48,583

During the year ended October 31, 2020, short-term compensation to related parties consisted of \$54,000 (2019 - \$nil) in consulting fees and \$37,000 (2019 - \$nil) in professional fees.

During the year ended October 31, 2020, rent of \$24,000 (2019 - \$nil) was paid to a company with a common former director and common officer.

There were no related party balances as at October 31, 2020 and 2019.

**9. SHARE CAPITAL**

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

*During the year ended October 31, 2020*

On May 21, 2020, the Company issued 150,000 common shares valued at \$26,250 for the Destor Property (note 7).

On May 21, 2020, the Company issued 150,000 common shares valued at \$26,250 for the Sunday Fault Property (note 7).

On May 21, 2020, the Company issued 200,000 common shares valued at \$35,000 for the Larder North Property (note 7).

On September 17, 2020, the Company closed a private placement for gross proceeds of \$1,100,000. The Company issued 11,000,000 common shares at a price of \$0.10 per share. The Company incurred share issue costs of \$47,554.

The Company received \$27,750 on the exercise of 185,000 warrants; \$8,211 were transferred from the share-based payments reserve to share capital upon exercise of 185,000 warrants.

*During the year ended October 31, 2019*

On December 17, 2018, the Company issued 600,000 common shares at a price of \$0.05 per share for gross proceeds of \$30,000.

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9. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

*During the year ended October 31, 2019 (continued)*

On January 30, 2019, the Company closed a private placement for gross proceeds of \$300,000. The Company issued 3,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.15 for a period of one year from the date of issuance. No value was attributed to the warrants.

On October 22, 2019, the Company completed its IPO of 5,000,000 common shares of the Company at \$0.15 per share for gross proceeds of \$750,000. The Company paid finders' fees of \$42,850 and issued 170,000 finders' warrants with a value of \$16,422. Each warrant entitles the holder to acquire one common share at a price of \$0.15 for a period of two years from the date of issuance. The Company incurred other share issue costs of \$78,793.

*Escrow*

At October 31, 2020, there were 780,000 common shares held in escrow in relation to the Company's IPO. 195,000 common shares will be reduced from escrow on each of the following dates: April 22, 2021, October 22, 2021, April 22, 2022 and October 22, 2022.

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Year Ended October 31, 2020		Year Ended October 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year <sup>(1)</sup>	4,170,000	\$ 0.18	1,000,000	\$ 0.15
Issued	-	-	3,170,000	0.15
Exercised	(185,000)	0.15	-	-
<b>Outstanding, end of year</b>	<b>3,985,000</b>	<b>\$ 0.18</b>	<b>4,170,000</b>	<b>\$ 0.15</b>

(1) Weighted average exercise price of the warrants as at October 31, 2019 increased from \$0.15 to \$0.18 as a result of modifications to warrants, as described below.

Prior to January 30, 2020, 2,900,000 warrants with an exercise price of \$0.15 and expiry date of January 30, 2020 were modified to have an exercise price of \$0.19 and an expiry date of January 30, 2021. No changes in fair values were recorded.

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9. SHARE CAPITAL (Continued)

c) Warrants (continued)

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	October 31, 2020
December 27, 2020	0.16	\$ 0.15	1,000,000
January 30, 2021	0.25	\$ 0.19	2,900,000
October 22, 2021	0.98	\$ 0.15	85,000
	0.24		3,985,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finders' warrants granted. The fair value of each finders' warrant granted was calculated using the following weighted average assumptions:

	Year Ended October 31, 2020	Year Ended October 31, 2019
Expected life (years)	N/A	2.00
Risk-free interest rate	N/A	1.62%
Annualized volatility	N/A	129%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	\$ 0.15
Exercise price	N/A	\$ 0.15
Weighted average grant date fair value	N/A	\$ 0.10

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility and the volatility of a comparable company to estimate the volatility of the share price.

During the year ended October 31, 2020, the Company transferred \$8,211 from the share-based payments reserve to share capital upon the exercise of 185,000 warrants.

d) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

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9. SHARE CAPITAL (Continued)

d) Stock options (continued)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Year Ended October 31, 2020		Year Ended October 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	500,000	\$ 0.15	-	\$ -
Issued	-	-	500,000	0.15
Expired	(100,000)	-	-	-
Outstanding, end of year	400,000	\$ 0.15	500,000	\$ 0.15

The following stock options were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	October 31, 2020
May 7, 2024	3.52	\$ 0.15	400,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. No share-based payments were recognized during the year ended October 31, 2020 (2019 - \$48,583).

The fair value of each stock option granted was calculated using the following weighted average assumptions:

	Year Ended October 31, 2020	Year Ended October 31, 2019
Expected life (years)	N/A	5.00
Risk-free interest rate	N/A	1.55%
Annualized volatility	N/A	202%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	\$ 0.10
Exercise price	N/A	\$ 0.15
Weighted average grant date fair value	N/A	\$ 0.10

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility and the volatility of a comparable company to estimate the volatility of the share price.

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**10. SEGMENTED DISCLOSURE**

The Company has one operating segment, being mineral exploration and development. All of the Company's assets are located in Canada.

**11. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	<b>Year Ended October 31, 2020</b>	<b>Year Ended October 31, 2019</b>
Loss before income taxes	\$ 661,042	\$ 202,510
Statutory income tax rate	27.00%	27.00%
Income tax benefit computed at statutory tax rate	178,000	55,000
Items not deductible for income tax purposes	-	(13,000)
Unrecognized benefit of deferred income tax assets	(178,000)	(18,000)
Deferred income tax recovery	\$ -	\$ 24,000

The significant components of the Company's deferred income tax assets and deferred income tax liabilities at October 31, 2020 and 2019 are presented below:

	<b>Year Ended October 31, 2020</b>	<b>Year Ended October 31, 2019</b>
Non-capital losses carried forward	\$ 193,000	\$ 51,000
Carrying value of mineral property interests in excess of unused exploration expenditures for Canadian tax purposes	19,000	(27,000)
Share issue costs	30,000	26,000
	242,000	50,000
Unrecognized deferred income tax assets	(242,000)	(50,000)
Net deferred income tax liability	\$ -	\$ -

The Company has non-capital losses of \$714,000 available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

2038	\$ 11,000
2039	178,000
2040	525,000
	\$ 714,000

**12. LOSS PER SHARE**

As a result of the net loss for the years ended October 31, 2020 and 2019, all potentially dilutive common shares are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these years.

### 13. SUBSEQUENT EVENTS

- a) Subsequent to October 31, 2020, the Company received \$252,725 on the exercise of 1,351,500 warrants and \$60,000 on the exercise of 400,000 stock options.
- b) On November 25, 2020, the Company completed a change of management and the Board of Directors, along with closing of a brokered private placement for gross proceeds of \$36,930,000. The Company issued 73,860,000 units at a price of \$0.50. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$0.80 for a period of 18 months from the date of issuance. If the volume weighted average closing price of the common shares of the Company is equal to or greater than \$1.60 for a period of 10 consecutive trading days, the Company may at its option elect to accelerate the expiry of the warrants. The Company paid finders' fees of \$2,059,905 and other share issue costs of \$281,170.

Subject to minority shareholder approval at its annual and special general meeting scheduled for December 15, 2020, the Company intends to issue a further 11,340,000 units at a price of \$0.50 for gross proceeds of \$5,670,000 in a non-brokered private placement with a company controlled by the family of a director and an officer. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$0.80 for a period of 18 months from the date of issuance. If the volume weighted average closing price of the common shares of the Company is equal to or greater than \$1.60 for a period of 10 consecutive trading days, the Company may at its option elect to accelerate the expiry of the warrants.