METALLIC MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

(Stated in Canadian Dollars)

Baker Tilly WM LLP
900 – 400 Burrard Street
Vancouver, British Columbia
Canada V6C 3B7
T: +1 604.684.6212
F: +1 604.688.3497

vancouver@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Metallic Minerals Corp.:

Opinion

We have audited the consolidated financial statements of Metallic Minerals Corp. and its subsidiaries (together, the "Company"), which comprise the consolidated statements of financial position as at July 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. 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 in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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 Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, B.C.
November 30, 2020

METALLIC MINERALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	July 31, 2020	July 31, 2019
		$	$
ASSETS			
Current			
Cash and cash equivalents		**1,300,044**	813,348
Receivables	6	**132,010**	62,456
Due from related party	15b	**50,000**	196,450
Prepaid expenses and deposits	6	**54,675**	41,106
		1,536,729	1,113,360
Non-current			
Receivables		**30,000**	30,000
Equipment		**2,694**	4,724
Exploration and evaluation assets	7, 15	**1,859,169**	979,892
		3,428,592	2,127,976
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**165,047**	145,786
Due to related party	15b	**796,197**	30,144
Flow-through share premium liability	9	**214,476**	12,030
		1,175,720	187,960
Shareholders' Equity			
Share capital	10	**18,894,405**	16,090,387
Share-based payment reserve	10	**1,912,290**	1,438,958
Accumulated deficit		**(18,553,823)**	(15,589,329)
		2,252,872	1,940,016
		3,428,592	2,127,976

Nature of Operations and Going Concern – Note 1
Commitment – Note 17
Subsequent events – Notes 10 and 19

Approved on behalf of the Board:
Gregor Hamilton , Director
Greg Johnson , Director

See accompanying notes to the consolidated financial statements.

METALLIC MINERALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JULY 31, 2020 and 2019
(Expressed in Canadian dollars)

	Note	2020	2019
		$	$
Expenses			
Consulting	15a	**560,007**	433,488
Depreciation		**2,030**	3,305
Exploration expenditures	8, 15a	**1,922,567**	1,313,636
Investor relations and corporate development		**299,196**	471,765
Office and administration		**64,178**	137,494
Professional fees		**72,344**	64,397
Property evaluation		**30,056**	31,223
Share-based payment expense	10e, 15a	**472,238**	208,672
Transfer agent, regulatory and filing fees		**54,117**	47,739
Travel and accommodation		**2,896**	6,469
		(3,479,629)	(2,718,188)
Other Items			
Other income	9	**211,479**	174,682
Interest and miscellaneous income		**52,417**	27,261
Net Loss and comprehensive loss for the year		**(3,215,733)**	(2,516,245)
Basic and diluted loss per share		**(0.03)**	(0.04)
Basic and diluted weighted average number of shares outstanding		**96,010,641**	64,656,481

METALLIC MINERALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

		Common shares	Share Capital	Share-based payment reserve	Deficit	Total
		number	$	$	$	$
Balance, July 31, 2018		**61,157,229**	**13,395,277**	**1,391,990**	**(13,293,854)**	**1,493,413**
Private placements, net of issuance costs	10b	4,038,075	836,010	59,066	-	895,076
Shares issued for properties	7,10b	250,000	52,500	-	-	52,500
Shares issued pursuant to exercise of warrants	10b	18,066,000	1,806,600	-	-	1,806,600
Share-based payment expense	10e	-	-	208,672	-	208,672
Reclassification of expired warrants	10e	-	-	(34,444)	34,444	-
Reclassification of expired options	10e	-	-	(186,326)	186,326	-
Net loss and comprehensive loss for the year		-	-	-	(2,516,245)	(2,516,245)
Balance, July 31, 2019		**83,511,304**	**16,090,387**	**1,438,958**	**(15,589,329)**	**1,940,016**
Private placements, net of issuance costs	10b	13,000,000	2,528,335	219,518	-	2,747,853
Flow-through share premium liability	9,10b	-	(413,925)	-	-	(413,925)
Units / shares issued for properties	7,10b	2,700,000	530,000	82,368	-	612,368
Shares issued pursuant to exercise of options	10b	316,000	112,649	(43,769)	-	68,880
Shares issued pursuant to exercise of warrants	10b	117,500	46,959	(5,784)	-	41,175
Share-based payment expense	10e	-	-	472,238	-	472,238
Reclassification of expired options	10e	-	-	(112,721)	112,721	-
Reclassification of expired warrants	10e	-	-	(138,518)	138,518	-
Net loss and comprehensive loss for the year		-	-	-	(3,215,733)	(3,215,733)
Balance, July 31, 2020		**99,644,804**	**18,894,405**	**1,912,290**	**(18,553,823)**	**2,252,872**

METALLIC MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2020 and 2019
(Expressed in Canadian dollars)

	Note	2020	2019
		$	**$**
Operating activities			
Net loss for the year		**(3,215,733)**	(2,516,245)
Items not involving cash			
Depreciation		**2,030**	3,305
Other income		**(211,479)**	(174,682)
Share-based payment expense	10e	**472,238**	208,672
		(2,952,944)	(2,478,950)
Net change in non-cash working capital items	11	**848,641**	(723,992)
Cash used in operating activities		**(2,104,303)**	(3,202,942)
Investing activity			
Purchase of equipment		**-**	(17,499)
Acquisition of exploration and evaluation assets	7	**(266,909)**	(35,019)
Cash used in investing activities		**(266,909)**	(52,518)
Financing activities			
Proceeds received from private placements	10b	**2,750,000**	900,834
Share issue costs	10b	**(2,147)**	(5,758)
Proceeds on exercise of options	10b	**68,880**	-
Proceeds on exercise of warrants	10b	**41,175**	1,806,600
Cash provided by financing activities		**2,857,908**	2,701,676
Net increase (decrease) in cash and cash equivalents		**486,696**	(553,784)
Cash and cash equivalents, beginning of year		**813,348**	1,367,132
Cash and cash equivalents, end of year		**1,300,044**	**813,348**
Cash and cash equivalents is comprised of:			
Guaranteed Investment Certificate		**1,250,000**	-
Cash		**50,044**	813,348
		1,300,044	**813,348**

Supplemental cash flow information (Note 11)

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Metallic Minerals Corp. (the "Company") is a publicly listed company on the TSX Venture Exchange ("TSX-V"), incorporated under the laws of British Columbia on May 3, 2007. The Company was registered as an extra-territorial corporation under the Business Corporations Act (Yukon) on July 10, 2009. The Company is involved in activities that include the acquisition and exploration of mineral properties. The Company's head office is located at 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These consolidated financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of $3,215,733 for the year ended July 31, 2020 (2019: $2,516,245). At July 31, 2020, the Company had an accumulated deficit of $18,553,823 (2019: $15,589,329). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. At July 31, 2020, the Company had a total of $1,536,729 of current assets and a working capital of $361,009 and no long-term debt. Subsequent to July 31, 2020, the Company closed a syndicated private placement and raised gross proceeds of $8,000,000 and closed a flow-through private placement for gross proceeds of $3,000,000 (Note 19).

While the Company has been successful in obtaining the necessary financing to cover its corporate operating costs and advance the development of its projects through the issuance of common shares and the exercise of warrants in the past, there is no assurance it will be able to raise funds in this manner in the future. There remain material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. The outbreak of the corona virus and the worldwide COVID-19 pandemic may also impact the Company's ability to continue as a going concern (Note 18).These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors approved these consolidated financial statements on November 30, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently during the year ended July 31, 2020, unless otherwise indicated.

a) <u>Principles of Consolidation</u>

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 536386 Yukon Inc., incorporated in the Yukon, Canada, 1219166 BC Ltd., incorporated in British Columbia, Canada and Metallic Minerals USA Inc., incorporated in the state of Nevada, USA.

A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. All intercompany balances and transactions have been eliminated upon consolidation.

b) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of certificate of deposit with investment terms of less than three months at acquisition.

c) Exploration and Evaluation Assets

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when received, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when received, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Option agreements typically call for the payment of cash, issue of shares and/or incurrence of exploration and evaluation costs over a period of time, often several years, entirely at the discretion of the optionee. The Company recognizes amounts payable under an option agreement when the amount is due and when the Company has no contractual rights to avoid making the payment. The Company recognizes amounts receivable under an option agreement only when the optionee has irrevocably committed to the transfer of economic resources to the Company, which often occurs only when the amount is received. Where a third party has been granted the option to acquire an interest in a property owned by the Company, the fair value of any proceeds received in respect of that property is applied to the exploration and evaluation assets cost which is capitalized on the Company's consolidated statement of financial position. Once the amount capitalized in respect of that property has been reduced to $Nil, any further payments received are reported in the Company's profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

d) Equipment

Equipment is carried at cost less accumulated depreciation and any recognized impairment loss, net of reversals. Depreciation is computed using the straight-line method over estimated useful lives.

e) Impairment of long-lived assets

The carrying amounts of non-current assets are reviewed for impairment at the end of each reporting period and whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset (or cash-generating unit) is estimated in order to determine the extent of the impairment. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

f) Financial Instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or 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 FVTOCI or amortized cost are initially recognized at fair value plus or minus transaction costs, respectively. Financial assets and liabilities at FVTOCI are subsequently measured at fair value, with changes in fair value recognized in other comprehensive income (loss). Those at amortized cost are subsequently carried at amortized cost less any impairment using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period.

Financial assets and liabilities at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. 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 consolidated statements of loss in the period in which they arise.

(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 consolidated statements of loss, 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. Gains and losses on derecognition are recognized in the consolidated statements of loss.

g) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligations are incurred. The nature of the rehabilitation activities include: restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on the passage of time, current market discount rates and liability specific risks. Adjustments to the liability as a result of the passage of time are recognized as borrowing costs, all other changes are recognized as a corresponding change to evaluation and exploration assets in the period in which they occur.

h) Share Capital

Financial instruments issued by the Company are classified as equity to the extent that they do not meet the definition of a financial liability or asset. The Company's common shares, share purchase warrants and share options are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the grant date. The balance, if any, was allocated to the attached warrants.

Units issued to finders or for the acquisition of exploration and evaluation assets, where no value is otherwise ascribed for the services or acquisition, are valued based on their components. The fair value of the common shares issued are determined by the closing quoted bid price on the issuance date, and the fair value of the warrants are valued on the date of grant using the Black-Scholes option pricing model.

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

i) Reserves

Share-based payment reserve is used to recognize the fair value of stock options and warrants prior to their exercise, expiry, or cancellation. Fair value of stock options and agent's warrants is determined on the date of grant using the Black-Scholes option pricing model.

All equity-settled share-based payments are reflected in share-based payment reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid. If the options expire unexercised, the value attributed to the options is transferred to deficit.

j) Share-Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the Company’s profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date is taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the Company’s profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes option pricing-model. The expected life used in the model is adjusted, based on management’s best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

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 modifications, is charged to the Company’s profit or loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately 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 that the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

k) Flow-Through Shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share proceeds into i) share capital, ii) warrants, and iii) a flow-through share premium, if any, using the residual value method. The residual value method for flow-through units, allocates the proceeds first to the shares issued as determined by the closing quoted bid price on the issuance date. The residual value is allocated between warrants and flow-through share premium, by calculating the value of the warrants using the Black-Scholes option pricing model, with any remaining value being attributed to the flow-through share premium. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a deferred tax recovery in income for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that have not yet been incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a prescribed 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 qualifying expenditures are incurred.

l) Profit or Loss Per Share

Basic profit or loss per share is computed by dividing the Company’s profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted profit per share is computed by dividing the Company’s profit applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period. Diluted loss per share is equivalent to basic loss per share, as the effect of potentially dilutive instruments would be anti-dilutive. The Company did not have any dilutive instruments as at July 31, 2020 (2019 – None).

m) Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

n) Government Grants

Government grants related to exploration activities are recognized in profit or loss as a deduction from the related expenditure when there is reasonable assurance that the grant will be received. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

o) Functional Currency

The consolidated financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

4. NEW AND REVISED ACCOUNTING STANDARDS

IFRS 16 "Leases" – On January 13, 2016 the IASB issued IFRS 16 *Leases.* This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard was adopted on August 1, 2019. The Company does not have lease commitments and accordingly there was no impact on the opening balances upon adoption.

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on 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 results may differ from these estimates and assumptions.

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

a) <u>Critical accounting estimates</u>

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the estimates and assumptions made by management prove to be incorrect. The critical accounting estimates include, but are not limited to, the following:

<u>Premium on Flow-Through Units</u>

At the time of issue, the Company estimates the proportion of proceeds attributed to the flow-through share premium, the common share and the warrant, if applicable, with reference to closing market prices and such techniques as the Black-Scholes option-pricing model.

<u>Share-based Payments</u>

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

b) <u>Critical accounting judgments</u>

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

<u>Impairment of long-lived assets</u>

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of indications of impairment, and if identified then an impairment test, involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

<u>Determination of, and provision for, reclamation and remediation obligations</u>

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated.

<u>Going Concern</u>

The preparation of these consolidated financial statements requires management to make judgments regarding the ability of the Company to continue as a going concern, as discussed in Note 1.

(Expressed in Canadian dollars)

6. RECEIVABLES AND PREPAID EXPENSES AND DEPOSITS

The receivables balance as at July 31, 2020 and July 31, 2019 is comprised of the following:

	July 31, 2020	July 31, 2019
	$	$
GST receivable	74,052	24,156
Interest receivable	19,658	-
Other	38,300	38,300
	132,010	**62,456**

The prepaids and deposit balance as at July 31, 2020 and July 31, 2019 is comprised of the following:

	July 31, 2020	July 31, 2019
	$	$
Prepaid expenses	54,675	16,717
Deposit	-	24,389
	54,675	**41,106**

At July 31, 2020 and July 31, 2019, prepaid expenses included various prepaid amounts for advertising, marketing and upcoming conference events. As at July 31, 2020 prepaid expense includes a $40,000 deferred financing cost related to the private placement that closed subsequent to July 31, 2020 (Note 19). As at July 31, 2019, a deposit of $18,000 was related to the transfer of California Creek claims. During the year ended July 31, 2020, the Company completed the transfer of the California Creek claims from a related party and the deposit was recognized as exploration and evaluation assets (Note 7).

7. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation acquisition costs is presented below:

	Keno Silver Project	La Plata Project	McKay Hill Project	Klondike Gold Project	Total
	$	$	$	$	$
Balance, July 31, 2018	494,741	-	25,449	372,183	892,373
Licensing & maintenance	1,055	-	-	-	1,055
Shares issued	-	-	-	52,500	52,500
Staking	-	-	-	33,964	33,964
Balance, July 31, 2019	**495,796**	**-**	**25,449**	**458,647**	**979,892**
Cash payments	-	-	-	52,500	52,500
Deposits used	-	-	-	18,000	18,000
Licensing & maintenance	9,463	170,635	28	1,140	181,266
Staking	-	-	2,413	12,730	15,143
Units / Shares issued	-	582,368	-	30,000	612,368
Balance, July 31, 2020	**505,259**	**753,003**	**27,890**	**573,017**	**1,859,169**

KENO SILVER PROJECT

The Company's 100% owned flagship Keno Silver project, located in the Keno Hill silver district of Canada's Yukon Territory, comprises 166 km^2 including the Keno-Lightning, Keno Summit, Gram, Keno-East, Cobalt Hill, Duncan Creek, Formo and Silver Queen properties.

Keno-Lightning Property

The Keno-Lightning property, which includes Homestake, is the largest property within the Keno silver project and is subject to a 3% Net Smelter Royalty ("NSR"). The Company has the option to buy back up to 2% of this NSR.

Keno Summit Property

The Company owns 100% of 17 claims and five leases on the Keno Summit property. Nine claims are subject to the same NSR as the Gram property, seven claims and two leases are subject to the same NSR as the Silver Queen property, three leases are subject to the same NSR as the Formo property and one claim is not subject to an NSR.

Keno-East Property

The Company staked additional ground in the Keno-East target area, which covers the eastern and southern extension of the Keno Hill silver district. The Company owns 100% of these claims and are not subject to any NSR.

Gram Property

The Company owns 100% of the Gram property which consists of 42 claims covering approximately 8.7 km^2 on the east side of the Keno Hill silver district. The Gram property is subject to a 2% NSR for precious metals and a 1% NSR for base metals and the Company has the option to buy back the full NSR.

Cobalt Hill Property

The Company owns 100% of the Cobalt Hill property covering 4.2 km^2 that are contiguous with the eastern end of the Keno-Lightning property in the Keno Hill silver district. Cobalt Hill is subject to a 3% NSR and the Company has the option to buy back up to 1.5% of this NSR.

Duncan Creek Property

The Duncan Creek property was staked by the Company in January 2017 along with other claims totaling approximately 30.2 km^2. The Company owns 100% of the Duncan Creek claims and they are not subject to any NSR.

Formo Property

The Company owns 100% of 16 mining leases in the Keno Hill silver district. The Formo property is subject to a 2% NSR for precious metals and a 1% NSR for base metals. The Company has an option to buy back the full NSR.

Silver Queen Property

The Company owns 100% of the Silver Queen property which consists of 20 claims primarily on the western end of the Keno Hill silver district. The Silver Queen property is subject to a 2% NSR and the Company has the option to buy back the full NSR.

LA PLATA PROJECT

On September 10, 2019, the Company entered into an option agreement to acquire a 100% interest in the La Plata silver-gold-copper property in southwest Colorado from two arms-length vendors. The La Plata property, which is approximately 26 km northwest of Durango, Colorado, covers approximately 33km^2 in the historic high-grade La Plata mining district.

In order to earn the 100% interest in the La Plata project, the Company has the following commitments:

- Issue 1,250,000 units to each of the two Shareholders of the optionor within 10 days of receipt of final Exchange approval of the Option Agreement (2,500,000 units were issued on September 26, 2019 with each warrant having an exercise price of $0.24. The units were valued at $582,368);

- Issue 1,250,000 units to each of the two Shareholders of the optionor on or before the later of September 10, 2020, being the first anniversary of the date of the Option Agreement and 30 days after a Plan of Operations Permit is issued for the property;

- Issue 1,250,000 units to each of the two Shareholders of the optionor on or before the later of September 10, 2021, being the second anniversary of the date of the Option Agreement and the first anniversary of the Plan of Operations Permit issued for this property;

- Issue 1,250,000 units to each of the two Shareholders of the optionor on or before the later of September 10, 2022, being the third anniversary of the date of the Option Agreement and the second anniversary of the Plan of Operations Permit issued for this property; and

- Pay US$250,000 to each of the two Shareholders of the optionor on or before September 10, 2023, being the fourth anniversary of the date of the Option Agreement, the third anniversary of the Plan of Operations Permit issued for this Property and 90 days after the completion of a preliminary economic assessment on the property.

Upon issuance, each of the units will comprise one common share and one-half of a share purchase warrant, with each full warrant exercisable into one common share of the Company for a period of 36 months from issuance at an exercise price equal to 120% of the 20-day volume weighted average trading price of the Company’s common shares on the TSX-V on the business day immediately preceding the date of issuance.

The La Plata property will be subject to a 2% NSR and the Company will have the ability to buy down the NSR to 1.5%. Certain other patented claims are subject to a total 1.5% NSR.

MCKAY HILL PROJECT

The Company has a 100% interest in the McKay Hill project, which covers approximately 44 km^2 and is located northeast of the Keno Silver project in the Yukon Territory. The property is subject to a 3% NSR and the Company has the option to buy back up to 2% of this NSR.

Silver Hill Property

The Company owns a 100% interest in 10.7 km^2 of claims 15 km north of the McKay Hill property. The property is not subject to any NSR and is managed along with the McKay Hill project.

KLONDIKE GOLD PROJECT – ROYALTY PORTFOLIO

The Company's alluvial properties are located on tributaries of the Indian River in the Klondike gold district near Dawson City, Yukon and are comprised of Australia Creek, Dominion Creek and Melba Creek. The Company also owns alluvial claims that are managed along with the Klondike Gold project at, California Creek and McKim Creek.

Australia Creek Property

On September 7, 2017, and amended on December 29, 2017, the Company entered into an option agreement to acquire a 100% interest from underlying claim holders in approximately 26 miles (42km) of mining rights and 18 miles (29km) of bench claims along the Australia Creek drainage (the "Australia Creek Property"), a tributary to the Indian River, in the Klondike gold district near Dawson City, Yukon. One of the Vendors is a related party as a director of the Company.

The Company completed the earn in of their 100% interest during the year ended July 31, 2020 by paying $37,500 cash and issuing 200,000 common shares on March 31, 2020 (valued at $30,000) to one vendor and paying cash of $15,000 to the other vendor.

Under the Australia Creek option agreement, the vendors will receive a 4% royalty on all alluvial gold production from the Company and the Company has the ability to buy back the royalty.

The Company has entered into two production royalty agreements as follows:

- A production royalty agreement with respect to an approximate 2 mile portion of the Australia Creek Property ("Lower Australia Creek"), the Company has given an arms-length alluvial mining operator (the "Operator") an exclusive right to mine Lower Australia Creek, in exchange for a 12% royalty on all gold production payable to the Company; and

- A production royalty agreement covering four additional miles of valley bottom and bench alluvial claims in two blocks of its Australia Creek Property with an experienced alluvial mining operator in exchange for a 10% royalty on all gold production. This portion of the property is fully permitted for full scale production mining allowing for production to proceed following completion of test work.

Dominion Creek Property

The Company has a 100% interest in 10 claims of mining rights along a bench of Dominion Creek, a tributary to the Indian River, in the Klondike gold district near Dawson City, Yukon.

The Company has a production royalty agreement with respect to these claims under which the Company has granted exclusive mining rights to the Operator in exchange for a 15% royalty on all gold production.

(Expressed in Canadian dollars)

8. EXPLORATION EXPENDITURES

A summary of the exploration expenditures incurred for the year ended July 31, 2020 is presented below:

	Keno Silver Project	La Plata Project	McKay Hill Project	Klondike Gold Project	Total
	$	$	$	$	$
Analysis	34,633	49,143	11,528	-	95,304
Camp costs	150,703	5,153	26,487	-	182,343
Community	1,787	-	-	-	1,787
Consulting	420,071	191,034	151,557	120,918	883,580
Drilling	568	-	154,288	-	154,856
Equipment and communication	20,303	13,041	4,717	56,077	94,138
Fuel	32,892	387	20,139	2,459	55,877
Geophysics	34,367	209,225	-	-	243,592
Helicopter	44,415	-	147,917	11,546	203,878
Lands and permitting	1,263	371	996	1,441	4,071
Transportation and travel	18,920	18,942	8,584	9,070	55,516
	759,922	487,296	526,213	201,511	1,974,942
Less: Government Grants	(6,978)	-	(45,397)	-	(52,375)
	752,944	**487,296**	**480,816**	**201,511**	**1,922,567**

A summary of the exploration expenditures incurred for the year ended July 31, 2019 is presented below:

	Keno Silver Project	La Plata Project	McKay Hill Project	Klondike Gold Project	Total
	$	$	$	$	$
Analysis	21,882	-	367	-	22,249
Camp costs	166,415	861	8,063	10,619	185,958
Community	22,104	-	8,871	10,322	41,297
Consulting	161,737	31,795	8,704	65,415	267,651
Drilling	374,108	-	-	-	374,108
Equipment and communication	(30,759)	6,824	14,051	11,463	1,579
Fuel	2,769	60	13,036	7,411	23,276
Salaries and benefits	190,286	4,926	99,482	14,077	308,771
Transportation and travel	65,075	14,219	17,402	7,843	104,539
Trenching and test pitting	-	-	-	49,208	49,208
	973,617	58,685	169,976	176,358	1,378,636
Less: Government Grants	-	-	(25,000)	(40,000)	(65,000)
	973,617	**58,685**	**144,976**	**136,358**	**1,313,636**

(Expressed in Canadian dollars)

9. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

	$
Balance, July 31, 2018	**186,712**
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	(174,682)
Balance, July 31, 2019	**12,030**
Flow-through share premium on the issuance of flow-through common share units (Note 10b)	413,925
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	(211,479)
Balance, July 31, 2020	**214,476**

10. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

b) Share issuance details

Year ended July 31, 2020

- On October 17, 2019, the Company completed a non-brokered private placement for gross proceeds of $2,750,000 through the issuance of 12,500,000 units at a price of $0.22 per unit. Each unit consisted of one flow-through ("FT") common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.25 with an expiry of October 17, 2021.

  The Company's share price was $0.17 per share on the date of completion and as a result, the Company allocated $2,125,000 of the gross proceeds from the FT private placement to share capital, $211,075 of the gross proceeds to warrant reserve using the Black-Scholes option pricing model and the remaining $413,925 of the gross proceeds to flow-through share premium liability using the residual value method.

  The Company paid a finder's fee of 500,000 units under the same terms and conditions as the private placement units (common shares valued at $85,000 and warrants valued at $8,443 using the Black-Scholes option pricing model) and incurred other share issue costs of $2,147.

- The Company issued 2,500,000 units (common shares valued at $500,000 and warrants valued at $82,368) pursuant to the purchase of the La Plata property (Note 7). Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.24 with an expiry of September 26, 2022. The Company also issued 200,000 common shares (valued at $30,000) pursuant to the Australia Creek agreement (Note 7).

- The Company issued 316,000 common shares pursuant to the exercise of 100,000 options with an exercise price of $0.30 and a total of 216,000 options with an exercise price of $0.18 per share. The weighted average share price on the date of exercise was $0.39.

- The Company issued 117,500 common shares pursuant to the exercise of 117,500 share purchase warrants with a weighted average exercise price of $0.35 per share. The weighted average share price on the date of exercise was $0.41.

Year ended July 31, 2019

- On November 21, 2018 the Company closed two concurrent, non-brokered private placements resulting in total gross proceeds to the Company of $900,834 through the issuance of 4,038,075 units. The Company issued 3,415,221 non-flow-through units at a price of $0.22 per unit for total gross proceeds of $751,349, where each non-flow-through unit consists of one common share of the Company and one-half share purchase warrant. The Company also issued 622,854 FT units at a price of $0.24 per unit for gross total proceeds of $149,485, where each FT unit consisted of one FT common share of the Company and one-half non-flow through share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.33 with an expiry of November 21, 2021. In connection with the financing, the Company paid finder’s fees of $5,758.

  The Company’s share price was $0.21 per share on the date of completion and as a result, the Company allocated $717,917 of the gross proceeds from the non-flow-through private placement to share capital and the remaining $34,152 of the gross proceeds to warrant reserve using the residual value method.

  The Company allocated $124,571 of the gross proceeds from the FT private placement to share capital and the remaining $24,914 to warrant reserve using the Black-Scholes option pricing model.

- The Company issued 18,066,000 common shares pursuant to the exercise of share purchase warrants with a weighted average exercise price of $0.10 per share.

- On December 31, 2018, the Company issued 250,000 common shares valued at $52,500 pursuant to the purchase of the Australia Creek Property.

(Expressed in Canadian dollars)

c) Stock options

The Company has a fixed Long-Term Performance Incentive Plan whereby the Company may grant certain awards to directors, officers, employees and consultants, including stock options, to a maximum of 12,000,000 common shares. The exercise price, term and vesting period of each award are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price
		$
Balance, July 31, 2018	5,350,000	0.39
Granted	2,500,000	0.18
Cancelled	(650,000)	0.40
Balance, July 31, 2019	7,200,000	0.31
Granted	4,325,000	0.24
Exercised	(316,000)	0.22
Cancelled	(450,000)	0.44
Balance, July 31, 2020	**10,759,000**	**0.28**
Exercisable, July 31, 2020	**7,589,333**	**0.29**

The following stock options were outstanding as at July 31, 2020:

Outstanding	Exercisable	Weighted average exercise price	Expiry date	Weighted average remaining life (in years)
		$		
550,000	550,000	0.30	February 6, 2021	0. 52
2,100,000	2,100,000	0.44	September 19, 2021	1.14
1,750,000	1,750,000	0.30	August 24, 2022	2.07
2,100,000	2,100,000	0.18	February 28, 2024	3.58
1,634,000	1,089,333	0.18	August 8, 2024	4.02
1,875,000	-	0.22	May 8,2025	4.77
750,000	-	0.43	June 22, 2025	4.90
10,759,000	**7,589,333**	**0.28**		**3.07**

Subsequent to July 31, 2020, 200,000 options with an exercise price of $0.44, 350,000 options with an exercise price of $0.30 and 1,216,000 options with an exercise price of $0.18 were exercised.

Options granted on August 8, 2019 vest: one-third immediately upon grant, one-third six months from grant date and one-third twelve months from grant date. Options granted on May 8, 2020, June 22, 2020 and February 28, 2019 vest: one-third six months from grant date, one-third twelve months from grant date and one-third eighteen months from grant date.

(Expressed in Canadian dollars)

d) Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		$
Balance, July 31, 2018	20,467,916	0.15
Issued	2,019,031	0.33
Exercised	(18,066,000)	0.10
Expired	(395,000)	0.55
Balance, July 31, 2019	4,025,947	0.45
Issued	7,750,000	0.25
Exercised	(117,500)	0.35
Expired	(1,946,916)	0.58
Balance, July 31, 2020	**9,711,531**	**0.26**

The following warrants were outstanding as at July 31, 2020:

Outstanding	Exercise price	Expiry date	Weighted average remaining life (in years)
	$		
6,500,000	0.25	October 17, 2021	1.21
1,961,531	0.33	November 21, 2021	1.31
1,250,000	0.24	September 26, 2022	2.16
9,711,531	**0.26**		**1.35**

Subsequent to July 31, 2020, 439,323 warrants with an exercise price of $0.33 were exercised.

e) Share-based payment expense and reserve

The weighted average fair value on grant date of the options granted during the year ended July 31, 2020 was $0.17 per option (2019: $0.12) and total share-based payment expense was $723,101 (2019: $292,939). Pursuant to vesting schedules, a portion of the fair value will be expensed in future periods.

The share-based payment expense for the year ended July 31, 2020 was $472,238 (2019: $208,672) and was recorded in profit or loss. The fair value of the stock options that were granted during the year ended July 31, 2020 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Risk free interest rate	0.69%	1.79%
Expected stock price volatility	93%	81%
Expected dividend yield	Nil	Nil
Expected option life in years	5.0	5.0
Spot price on date of grant	$0.24	$0.18

Expected volatility is based on historical price volatility of the Company since July 2016, which is when the Company was recapitalized, changed its name and appointed a new management team.

(Expressed in Canadian dollars)

During the year ended July 31, 2020, the Company reclassified $112,721 (2019: $186,326) from share-based payments reserve to deficit with respect to options that were cancelled during the year and $138,518 (2019: $34,444) from share-based payments reserve to deficit with respect to warrants that expired during the year.

Year ended July 31, 2020

The fair values of the 6,250,000 warrants and 250,000 finder's warrants issued in conjunction with the FT private placement completed on October 17, 2019 were $211,075 and $8,443, respectively and were recorded in reserves. The weighted average assumptions for both sets of warrants were as follows:

	2020
Risk free interest rate	1.59%
Expected stock price volatility	57%
Expected dividend yield	Nil
Expected option life in years	2.0
Spot price on date of grant	$0.17

The fair value of the 1,250,000 warrants issued as an option payment pursuant to the purchase of the La Plata property was $82,363 using the following weighted average assumptions:

	2020
Risk free interest rate	1.59%
Expected stock price volatility	56%
Expected dividend yield	Nil
Expected option life in years	3.0
Spot price on date of grant	$0.20

Year ended July 31, 2019

The fair value of the 311,427 warrants issued in conjunction with the FT private placement for the year ended July 31, 2019 was $24,914 and was recorded in reserves. The fair value of the warrants that were issued was calculated using the Black-Scholes option pricing model. The Company estimated the volatility for these warrants by using the historical volatility of public companies that the Company considers to have comparable business activities. The weighted average assumptions are as follows:

	2019
Risk free interest rate	2.19%
Expected stock price volatility	80%
Expected dividend yield	Nil
Expected option life in years	3.0
Spot price on date of grant	$0.20

(Expressed in Canadian dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the years ended July 31 consisted of the following:

	2020	2019
	$	$
Receivables	(18,105)	(40,071)
Due to/from related parties	891,198	214,257
Prepaid expenses and deposits	(13,569)	60,058
Accounts payable and accrual liabilities	(10,883)	(958,236)
	848,641	**(723,992)**

The non-cash financing and investing transactions for the year ended July 31, 2020 consisted of the Company:

- Issuing 2,500,000 units, comprised of 2,500,000 common shares valued at $500,000 and 1,250,000 warrants valued at $82,368 pursuant to the purchase of the La Plata property;
- Issuing 500,000 finders units, comprised of 500,000 common shares valued at $85,000 and 250,000 warrants valued at $8,443 pursuant to the FT private placement completed on October 17, 2019;
- Issuing 200,000 common shares valued at $30,000 pursuant to the purchase of the Australia Creek property; and
- Upon exercise of options and warrants a fair value of $43,769 and $5,784, respectively, was reclassified from contributed surplus to share capital.

The non-cash financing and investing transactions for the year ended July 31, 2019 consisted of the Company:

- Issuing 250,000 common shares valued at $52,500 pursuant to the purchase of the Australia Creek Property;
- Completing the purchase of certain camp equipment from a related party and immediate sale to TruePoint. The total amount recorded was $123,240. The impact on the Company's books was a reduction of prepaids in the amount of $50,000, a recovery of exploration expenses of $44,850, a reduction of equipment of $17,500, an increase of share subscriptions received in advance of $12,170 and a reduction of accumulated depreciation of $1,280. No gain or loss was recorded; and
- Issuing 5,597,600 common shares pursuant to the exercise of 5,597,600 warrants as settlement of $398,551 owed to the President & CEO for accrued consulting fees and expenses covering multiple years, $150,000 owed to a director of the Company for exploration expenditures and $11,209 owed to a consultant for exploration expenditures.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, due from related party, accounts payable and accrued liabilities and due to related party. Except for cash and cash equivalents, all the Company's financial instruments are measured at amortized cost. The fair values of financial instruments at amortized cost approximate the carrying amounts, due to the short-term nature of these financial instruments, or the inclusion of market rates of interest thereon.

The Company's cash and cash equivalents are designated as FVTPL and presented at fair value in accordance with level 1 of the fair value hierarchy.

Fair value of financial instruments

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company is exposed in varying degrees to a number of financial instrument related risks detailed below:

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash. A 1% change in short-term rates would not have a material impact on profit or loss.

b) 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 is exposed to credit risk with respect to its cash and cash equivalents balance at July 31, 2020 of $1,300,044 and with respect to its receivables and due from related parties. Cash and cash equivalents are held at a chartered Canadian financial institution and Management has assessed credit risk as low on receivables and due from related parties.

c) Liquidity risk

Liquidity risk arises from the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. At July 31, 2020, the Company had a total of $1,536,729 of current assets comprised of cash and cash equivalents, receivables, due from related party and prepaid expenses and deposits, working capital of $361,009 and no long-term debt.

While the Company has been successful in obtaining necessary financing through the issuance of common shares and loans from related parties in the past, there is no assurance it will be able to raise funds in this manner in the future and there remain material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. The Company's amounts due to related party, and accounts payable and accrued liabilities are due in the short term.

(Expressed in Canadian dollars)

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended July 31, 2019.

The Company considers the items included in shareholders' equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

14. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items for the years ended July 31:

	July 31, 2020	July 31, 2019
	$	$
Net Loss for the year	(3,215,733)	(2,516,245)
Canadian federal and provincial income tax rates	27%	27%
Expected income tax recovery at statutory rate	(868,248)	(679,386)
Increase (decrease) due to:		
Non-deductible expenditures and other permanent differences	301,148	60,198
Non-taxable income	(57,099)	(47,164)
Income tax benefit renounced with flow-through shares	424,930	392,380
Losses for which no tax benefit is recorded	199,269	273,972
Income tax recovery as recorded	-	-

The components of unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset has been recognized are as follows:

	July 31, 2020	July 31, 2019
	$	$
Share issue costs	90,035	157,492
Exploration and evaluation assets	3,918,891	3,941,870
Capital losses and other	50,423	48,393
Non-capital losses	6,648,185	5,821,745
Unrecognized temporary differences and non-capital losses	10,707,534	9,969,500

(Expressed in Canadian dollars)

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

The Company has a December 31 year end for tax purposes. As at July 31, 2020, the Company had exploration and evaluation expenditures of approximately $5,025,000 which are available to carry-forward indefinitely, and non-capital losses of approximately $6,650,000 that expire as follows:

	$
2027	5,000
2028	20,000
2029	78,000
2030	114,000
2031	782,000
2032	609,000
2033	271,000
2034	221,000
2035	48,000
2036	823,000
2037	992,000
2038	1,439,000
2039	832,000
2040	416,000
	6,650,000

15. RELATED PARTY TRANSACTIONS

Key management personnel are the Directors and Executive Officers of the Company. Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The amounts paid by the Company for the services provided by related parties have been determined by negotiation among the parties and are reviewed and approved by the Company's Board. These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

In addition to key management personnel, the Company transacted with the following related parties during the years ended July 31, 2020 and 2019:

- TruePoint Exploration Inc. ("TruePoint") is a private exploration service company that provides exploration and administrative services to the Company. Greg Johnson, President and CEO of the Company is a minority shareholder and key management personnel of TruePoint. Charges from TruePoint are for exploration, management and office administration expenses; and

- Midnight Mining Services Ltd. ("Midnight Mining") is a private company controlled by Bill Harris, a director of the Company. Subsequent to July 31, 2020, Bill Harris resigned as a director of the Company.

(Expressed in Canadian dollars)

Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described below.

a) Related Party Transactions

Related party transactions for the years ended July 31, 2020 and 2019 were as follows:

		2020	**2019**
		$	**$**
Consulting fees	1	373,893	335,980
Exploration and evaluation assets	2	67,500	26,250
Share-based payments	3	146,606	181,141
Transactions with TruePoint	4	2,043,356	473,495
		2,631,355	**1,016,866**

[1] Consulting fees for the years ended July 31, 2020 and 2019 consisted of fees earned by key management personnel including the CEO and CFO

[2] The amount of $37,500 cash and $30,000 valued for issuance of shares for the year ended July 31, 2020 consisted of option payments to a director of the Company in relation to the Australia Creek option agreement. The amount of $26,250 for the year ended July 31, 2019 consisted of the value of 125,000 common shares issued to a director of the Company in relation to the Australia Creek option agreement.

[3] Share-based payment expense is a non-cash item that consisted of the fair value of stock options that were granted to key management personnel.

[4] Transactions with TruePoint consisted of exploration expenditures ($1,830,502), consulting fees ($31,765), investor relations and corporate development fees ($147,200), office and administration costs ($33,889).

b) Related Parties Balances

The Company's related party balances consisted of the following at July 31:

		2020	**2019**
Current assets		**$**	**$**
Due from TruePoint	1	-	145,001
Due from Greg Johnson	2	50,000	51,449
		50,000	**196,450**

[1] This amount was the net of cash advances made to TruePoint offset by charges from TruePoint for exploration, management and office administration costs.

[2] This amount related to an expense advance as at July 31, 2020 and a warrant exercise completed in July 2019.

		2020	**2019**
Current liabilities		**$**	**$**
Due to Midnight Mining		10,000	26,994
Due to Greg Johnson		109,500	-
Due to TruePoint	1	626,697	-
Due to Gregor Hamilton		50,000	-
Due to Tim Thiessen		-	3,150
		796,197	**30,144**

[1] This amount was the net of cash advances made to TruePoint offset by charges from TruePoint for exploration, management and office administration costs.

Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

(Expressed in Canadian dollars)

16. SEGMENTED INFORMATION

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on the location:

	July 31, 2020	July 31, 2019
	$	$
Non-current assets by geographic segment		
Canada	1,138,860	1,014,616
United States	753,003	-
	1,891,863	1,014,616

17. COMMITMENT

As a result of the issuance of FT Shares on October 17, 2019, the Company had a commitment to incur $2,750,000 in qualifying Canadian exploration expenditures during 2020. As of July 31, 2020, the Company has incurred $1,325,082 of those qualifying expenditures. In July 2020, in recognition of the impacts of COVID-19, the Canadian government announced proposed temporary relief measures to flow-through regulations including allowing companies an additional twelve months-period to incur eligible expenditures. Once enacted into law, this relief measure is expected to reduce the Company's short-term flow-through commitment substantially by extending the deadline for incurring expenses to December 31, 2021.

18. CORONA VIRUS (COVID-19) PANDEMIC

The outbreak of the worldwide COVID-19 pandemic may result in impacts to the Company's on-going exploration plans and activities in 2020. The Company is focused on the health and well-being of its workers and the communities in which they work and has implemented preventative measures accordingly. The Company will continue to monitor advice and regulations from the World Health Organization, governments and local communities, and adjust measures as appropriate.

The Company may face disruption to operations, supply chain delays, travel and trade restrictions, and impacts on economic activity in affected countries or regions can be expected that are difficult to quantify. Regional disease outbreaks represent a threat to hiring and maintaining skilled workers, and could be a major health-care challenge for its workforce. There can be no assurance that the Company's personnel will not be impacted by these regional disease outbreaks and ultimately that the Company could see its workforce productivity reduced or incur increased medical costs as a result of these health risks.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resulting travel restrictions, social distancing recommendations, government response actions, business disruptions and business closures may have an impact on the Company's exploration operations and access to capital. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic's impact on global industrial and financial markets which may reduce metal prices, share prices and financial liquidity, thereby limiting access to additional capital.

19. SUBSEQUENT EVENTS

The Company closed a syndicated private placement financing lead by Canaccord Genuity which consisted of 20,000,000 units at a price of $0.40 per unit for gross proceeds of $8,000,000. Each unit was comprised of one common share of the Company and one-half of one share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.60 for a period of 24 months. The Company paid the Underwriters a cash commission of $435,000 and issued 1,087,500 broker warrants. Each broker warrant is exercisable, for a period of 24 months, into one common share at an exercise price of $0.40.

The Company closed a flow-through private placement of 3,896,104 shares at a price of $0.77 per share for gross proceeds of $3,000,000. The Company paid a finder's fee of $142,405 and issued 184,942 finder warrants. Each warrant is exercisable for a period of 24 months, into one common share of the Company at an exercise price of $0.77.