



FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
EnGold Mines Ltd.

Opinion

We have audited the accompanying financial statements of EnGold Mines Ltd. (the "Company"), which comprise the statements of financial position as at September 30, 2020 and 2019 and the statements of comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 of the financial statements, which indicates that the Company incurred a loss of \$1,349,144 during the year ended September 30, 2020 and, as of that date, the Company has an accumulated deficit of \$54,319,418. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

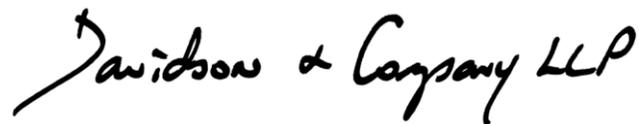
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Stephen Hawkshaw.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

January 27, 2021

EnGold Mines Ltd.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	September 30, 2020	September 30, 2019
ASSETS		
Current		
Cash	\$ 346,430	\$ 94,091
Receivables	21,222	11,838
Prepaid expenses	48,853	32,821
Total current assets	416,505	138,750
Reclamation deposits (Note 4)	147,000	147,000
Other assets	1,008	1,008
Restricted cash (Note 5)	11,500	11,500
Equipment and right-of-use assets (Note 6)	159,213	38,680
Mineral properties (Note 7)	2,578,409	2,573,909
Total assets	\$ 3,313,635	\$ 2,910,847
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 11 and 12)	\$ 446,234	\$ 541,718
Current portion of lease liabilities (Note 8)	34,387	-
Other liabilities (Note 10)	246,170	95,839
Total current liabilities	726,791	637,557
Loan payable (Note 9)	40,000	-
Lease liabilities (Note 8)	104,073	-
Total liabilities	870,864	637,557
Shareholders' equity		
Share capital (Note 10)	42,949,916	41,579,039
Reserves (Note 10)	13,812,273	13,664,525
Deficit	(54,319,418)	(52,970,274)
Total shareholders' equity	2,442,771	2,273,290
Total liabilities and shareholders' equity	\$ 3,313,635	\$ 2,910,847

Nature of operations and the ability to continue as a going concern (Note 1)

Commitments and contingencies (Note 12)

Subsequent event (Note 16)

Approved and authorized by the Board of Directors on January 27, 2021:

<i>"Rolf Van Driesum"</i> Rolf Van Driesum	Director	<i>"David Brett"</i> David Brett	Director
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The accompanying notes are an integral part of these financial statements.

EnGold Mines Ltd.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the year ended September 30	2020	2019
EXPENSES		
Depreciation (Note 6)	\$ 53,910	\$ 9,669
Mineral property expenditures	693,743	764,746
Filing and regulatory	16,346	42,564
Insurance	27,620	27,698
Office and other	22,930	47,670
Management and consulting (Note 11)	202,929	316,358
Professional fees (Notes 11 and 12)	362,118	371,253
Share-based payments (Note 10)	90,085	274,342
Shareholder communications	11,110	11,226
Travel and promotion	4,795	14,517
	<u>(1,485,586)</u>	<u>(1,880,043)</u>
OTHER ITEMS		
Lease accretion (Note 8)	(15,332)	-
Gain on extinguishment of debt (Note 6)	15,000	-
Other income (Note 10)	136,774	98,799
	<u>136,442</u>	<u>98,799</u>
Loss and comprehensive loss for the year	\$ (1,349,144)	\$ (1,781,244)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	224,452,146	209,126,194

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

EnGold Mines Ltd.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the year-ended September 30,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,349,144)	\$ (1,781,244)
Non-cash items:		
Depreciation	53,910	9,669
Lease accretion	15,332	-
Other income	(136,774)	(98,799)
Share-based payments	90,085	274,342
Gain on extinguishment of debt	(15,000)	-
Changes in non-cash working capital items:		
Receivables	(9,384)	23,497
Prepaid expenses	(16,032)	(1,536)
Accounts payable and accrued liabilities	(108,668)	395,616
Net cash used in operating activities	(1,475,675)	(1,178,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation asset	-	(1,500)
Net cash used in operating activities	-	(1,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	1,889,350	883,000
Exercise of warrants	-	262,866
Loan proceeds received	40,000	-
Payments of lease liabilities	(51,315)	-
Share issuance costs	(150,021)	(91,574)
Net cash provided by financing activities	1,728,014	1,054,292
Change in cash during the year	252,339	(125,663)
Cash, beginning of year	94,091	219,754
Cash, end of year	\$ 346,430	\$ 94,091
Supplemental cash flow information:		
Broker warrants issued as share issuance costs	\$ 49,330	\$ 20,851
Lease liabilities and right-of use assets recognized on adoption of IFRS 16	\$ 156,665	\$ -
Revaluation of lease liabilities and right-of use assets	\$ 17,778	\$ -
Fair value of warrants exercised	\$ -	\$ 22,086
Shares issued to settle accounts payable and accrued liabilities	\$ 12,500	\$ -
Shares issued for mineral properties	\$ 4,500	\$ -
Shares issuance costs in accounts payable and accrued liabilities	\$ 40,684	\$ -
Flow-through premium liability recognized	\$ 287,105	\$ 171,604

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

EnGold Mines Ltd.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	<u>Share Capital</u>				Total
	Number	Amount	Reserves	Deficit	
Balance, September 30, 2018	203,123,462	\$ 40,695,116	\$ 13,391,418	\$ (51,189,030)	2,897,504
Private placements – flow through	7,329,329	883,000	-	-	883,000
Share issuance costs – cash	-	(91,574)	-	-	(91,574)
Share issuance costs – warrants	-	(20,851)	20,851	-	-
Flow-through premium liability	-	(171,604)	-	-	(171,604)
Exercise of warrants	3,010,830	284,952	(22,086)	-	262,866
Shares-based payments	-	-	274,342	-	274,342
Loss for the year	-	-	-	(1,781,244)	(1,781,244)
Balance, September 30, 2019	213,463,621	41,579,039	13,664,525	(52,970,274)	2,273,290
Private placements – flow through	16,110,159	1,289,350	-	-	1,289,350
Private placements – non-flow through	14,583,333	591,667	8,333	-	600,000
Share issuance costs – cash	-	(190,705)	-	-	(190,705)
Share issuance costs – warrants	-	(49,330)	49,330	-	-
Shares for debt	208,333	12,500	-	-	12,500
Shares for mineral properties	100,000	4,500	-	-	4,500
Flow-through premium liability	-	(287,105)	-	-	(287,105)
Share-based payments	-	-	90,085	-	90,085
Loss for the year	-	-	-	(1,349,144)	(1,349,144)
Balance, September 30, 2020	244,465,446	\$ 42,949,916	\$ 13,812,273	\$ (54,319,418)	\$ 2,442,771

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

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND THE ABILITY TO CONTINUE AS A GOING CONCERN

EnGold Mines Ltd. (the "Company") was incorporated in British Columbia under the Business Corporations Act. The Company is in the business of exploring for and evaluating economically viable mineral properties in Canada.

The Company's registered and records office is Pacific Centre, 400 – 725 Granville Street, Vancouver, BC V7Y 1G5.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. For the year ended September 30, 2020, the Company incurred a loss of \$1,349,144, has an accumulated deficit of \$54,319,418 and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful and if so, that the funding will be provided on terms acceptable to the Company.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations this time.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd...)

Use of Estimates and Judgments

Critical accounting estimates

- i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's options and warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Critical accounting judgments

- i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.
- ii. 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.
- iii. The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes and estimates of the timing and the possible outflow of economic benefits.

3. SIGNIFICANT ACCOUNTING POLICIES

Share capital

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, share warrants, and stock options are classified as equity instruments.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and 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 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not amortized.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to operations during the financial period in which they are incurred.

Major Maintenance and Repairs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in operations as incurred.

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in the statement of comprehensive loss.

Depreciation

Depreciation is recognized in operations and is recognized using the declining balance method at the following rates over the assets economic useful life:

Field equipment	20%
Vehicles	20%
Office furniture and equipment	20%
Computer equipment	33%
Computer software	50%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. 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 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. The premium is recognized as other income and the related deferred tax is recognized as a tax provision which is reduced when qualifying flow-through expenditures are incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures within a two-year period in accordance with Government of Canada flow-through share regulations.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Flow-through shares (cont'd...)

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 share regulations. When applicable, this tax is accrued as a financial expense until paid.

Mineral property licenses

All direct costs related to the acquisition of mineral property interests are capitalized into intangible assets on a property by property basis. License costs paid in connection with a right to explore in an exploration area, for a period in excess of one year, are capitalized and amortized over the term of the license.

Mineral property expenditures

Exploration costs, net of incidental revenues, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into mineral properties. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

The Company may be entitled to certain refundable tax credits on qualified exploration expenditures incurred in the province of British Columbia ("BC"). The provincial government of BC provides for a refundable tax on net qualified mining exploration expenditures incurred in BC by companies resident in BC. Management has estimated and accrued the likely refundable amount arising from expenses incurred in the current year. The determination of the expenditures which would qualify as mining exploration expenses was based on the previous years' tax filings and subsequent reviews by government auditors.

The refundable tax credit rate based on qualified expenditures incurred is 20% in British Columbia. In accordance with IAS 20, any tax credits receivable are credited against the costs incurred at the time they are determined to be receivable.

Joint Operations

A joint arrangement is an arrangement of which two or more parties have joint control. The Company determines the type of joint arrangement in which it is involved as either a joint operation or a joint venture and this depends on the rights and obligations of the parties to the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Joint control is the contractually agreed sharing of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. None of the parties involved have unilateral control of a joint venture. The Company accounts for its interests' in joint operations by recognizing its share of assets, liabilities, revenues, and expenses in accordance with its contractually conferred rights and obligations.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits 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, it does not recognize the asset.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provisions

Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of comprehensive loss. The Company had no significant rehabilitation obligations as at September 30, 2020 and 2019.

Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. (Note 11)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

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 operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, 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 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 operations over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the statement of comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive 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 the use of a valuation model.

All equity-based share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

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 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.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Reclamation Deposits

Cash which is subject to contractual restrictions on use for mineral properties is classified separately as reclamation deposits. Reclamation deposits are classified as non-current assets.

Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Fair value through profit or loss ("FVTPL") - financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in profit and loss.

Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

The Company's cash, receivables, reclamation deposits, and restricted cash are recorded at amortized cost.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit and loss.

Amortized cost: This category includes accounts payables and accrued liabilities and loans payable, which are recognized at amortized cost.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New and revised standards and interpretations:

IFRS 16 Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on October 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 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 obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. For all leases, the lease liability was measured at October 1, 2019 as the present value of any future minimum lease payments discounted using the appropriate incremental borrowing rate. The associated right of use assets was measured at the amount equal to the lease liability on October 1, 2019.

The following leases accounting policies have been applied as of October 1, 2019 on adoption of IFRS 16:

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess whether the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset.

As a lessee, we recognize a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, we have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

Impact of transition to IFRS 16:

Effective October 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for the year ended September 30, 2019 has not been restated. The cumulative effect of initial application is recognized in deficit at October 1, 2019. Comparative amounts for the year ended September 30, 2019 remains as previously reported under IAS 17 and related interpretations.

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New and revised standards and interpretations (cont'd...):

IFRS 16 Leases

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liabilities. Lease liabilities have been measured by discounting future lease payments at the incremental borrowing rate at October 1, 2019. The incremental borrowing rate applied was 10% per annum and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment.

As of the initial date of application of IFRS 16, the Company has two leases outstanding with remaining non-cancelable periods of 18 and 68 months. The application of IFRS 16 to leases, previously classified as operating leases under IAS 17, resulted in the recognition of right-of-use assets of \$156,665 included within equipment and right-of-use assets (Note 6) and lease liabilities (Note 8) with no net impact on deficit.

4. RECLAMATION DEPOSITS

As at September 30, 2020 the Company held \$147,000 (September 30, 2019 - \$147,000) in deposits with a financial institution as security for reclamation requirements.

5. RESTRICTED CASH

Restricted cash consists of a term deposit of \$11,500 (September 30, 2019 - \$11,500) held as security for a corporate credit card.

6. EQUIPMENT AND RIGHT-OF-USE ASSETS

	Right-Of-Use assets	Field Equipment	Vehicles	Office Furniture and equipment	Total
Cost					
Balance, September 30, 2018	\$ -	\$ 102,713	\$ 104,710	\$ 53,679	\$ 261,102
Additions	-	-	35,626	-	35,626
Balance, September 30, 2019	-	102,713	140,336	53,679	296,728
Disposals	-	-	(15,000)	-	(15,000)
Adoption of IFRS 16	156,665	-	-	-	156,665
Revaluation of leases	17,778	-	-	-	17,778
Balance, September 30, 2020	174,443	102,713	125,336	53,679	456,171
Accumulated depreciation					
Balance, September 30, 2018	-	96,072	99,554	52,753	248,379
Additions	-	1,328	8,156	185	9,669
Balance, September 30, 2019	-	97,400	107,710	52,938	258,048
Disposals	-	-	(15,000)	-	(15,000)
Additions	46,175	1,062	6,525	148	53,910
Balance, September 30, 2020	\$ 46,175	\$ 98,462	\$ 99,235	\$ 53,086	\$ 296,958
As at September 30, 2019	\$ -	\$ 5,313	\$ 32,626	\$ 741	\$ 38,680
As at September 30, 2020	\$ 128,268	\$ 4,251	\$ 26,101	\$ 593	\$ 159,213

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
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6. EQUIPMENT AND RIGHT-OF-USE ASSETS (cont'd...)

During the year ended September 30, 2020, the Company settled accounts payable and accrued liabilities with an arm's length party with a value of \$15,000 by exchanging a vehicle with a book value of \$nil. The Company recognized a gain on the disposal of \$15,000 to loss and comprehensive loss.

7. MINERAL PROPERTIES

	<u>Lac La Hache</u>
Balance, September 30, 2018	\$ 2,572,409
Additions	1,500
Balance, September 30, 2019	<u>2,573,909</u>
Additions	<u>4,500</u>
Balance, September 30, 2020	<u>\$ 2,578,409</u>

Balance of mineral properties represents acquisitions costs paid by the Company.

Lac La Hache

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia:

a) Miracle/Murphy

The Company owns a 100% interest in four mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, there is a 2% net smelter return ("NSR") which will be reduced to 1% upon an aggregate total payment of \$1,500,000 to the original vendor.

b) Peach Lake

The Company owns an 100% interest in a number of mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache that were acquired under option agreements with the original vendors. Under the terms of an agreement dated December 1, 1994, there is a 3% NSR due to the original vendor on four of the original seven claims acquired to a maximum of \$500,000 and a 1% NSR in favour of Peach Lake Resources Ltd., purchasable at any time for \$3,000,000.

During the year ended September 30, 2018, the Company signed an agreement amending the Peach Lake Resources Ltd. NSR purchase price from \$3,000,000 to \$2,000,000. In exchange for the revised agreement, the Company paid \$10,000 cash and issued 350,000 common shares valued at \$73,500.

b) Ann

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the claims are subject to a 5% net profits royalty to a maximum of \$500,000.

c) Murphy Lake

The Company owns a 100% interest in a number of mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 3, 1993, the Company has agreed with the original vendor to issue 300,000 common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place, and pay a 3% NSR to a maximum of \$1,000,000. No shares have been issued to the date of these financial statements.

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7. MINERAL PROPERTIES (cont'd...)

Lac La Hache (cont'd...)

d) PMA/Cassidy

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a NSR to the original vendor.

e) Candorado Option Agreement

During the year ended September 30, 2012, the Company and Candorado Operating Company Ltd. ("Candorado") entered into an option agreement (the "Agreement") whereby the Company acquired a 100% interest in certain mineral claims located east of Williams Lake, BC, near Lac La Hache (the "Claims").

During the year ended September 30, 2013, the Agreement was amended such that a 2% NSR obligation of the Company in favour of Candorado was waived by Candorado, and certain NSR obligations of Candorado were assumed by the Company, which assumed NSRs related to two separate blocks of the Claims (acquired under two separate 2004 option agreements with different optionees). Certain of the Claims acquired by the Company under the Agreement are now subject to a 2% NSR in favour of two optionees, purchasable by the Company at any time for \$1,000,000 (\$500,000 to each optionee). Certain other of the Claims are also subject to a 2% NSR in favour of two other optionees, which NSR is similarly purchasable by the Company at any time for \$1,000,000 (\$500,000 to each optionee).

f) Tam Property

During the year ended September 30, 2020, the Company entered into an option agreement to acquire 100% of the Tam Property which comprises 875 hectares of mineral claims adjoining the Company's Lac La Hache Property directly to the east of the Aurizon Gold Deposit.

The agreement with the vendor, which is subject to the approval of the TSX Venture Exchange, calls for EnGold to, on signing, apply 2 years' worth of assessment work on the property (completed) and pay \$40,000 and issue 1,500,000 common shares over a four year period as follows:

- a) 100,000 common shares on exchange acceptance (*issued with fair value of \$4,500*);
- b) on the 12-month anniversary, \$5,000 and 150,000 common shares;
- c) on the 24-month anniversary, \$10,000 and 200,000 common shares;
- d) on the 36-month anniversary, \$10,000 and 250,000 common shares; and
- e) on the 48-month anniversary, \$15,000 and 800,000 common shares.

All commitments except the application of the work and payment of the first 100,000 shares are at the sole option of the Company. The Tam Property will at all times be subject to a 2% NSR in favour of the vendor, which NSR will be purchasable at any time by the Company for \$1,500,000.

Red Property

On July 5, 2016, the Company entered into a joint agreement with Pacific Empire Minerals Corp. ("PEMC") that is accounted for as a joint operation under IFRS 11 Joint Arrangements. Both parties hold certain adjacent claims located in the Clinton Mining Division of British Columbia and agreed to combine into single property to be known as the Red Property (the "Property") and form an unincorporated joint operation for the purpose of exploring and developing the Property. The participating interests of both parties at the time of the joint operation is 50% with each party responsible for payment of its proportionate share of operating and capital costs, including reclamation and remediation obligations.

Upon formation of the joint operation, a management committee (the "Management Committee") consisting of two representatives of each party and holding voting rights in accordance with each party's participating interest, was established which shall make all decisions which are required to be made by the joint operation participants. The Management Committee shall be responsible for the exploration and development of the Property and for the negotiation of any option or sale of the Property.

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7. MINERAL PROPERTIES (cont'd...)

Red Property (cont'd...)

During the year ended September 30, 2018, PEMC carried out exploration work on the Property at their sole expense with no dilution to EnGold. The term of the PEMC agreement extended to December 31, 2018 and expired at that time. The Company retains a 100% interest in its original claim, as single mineral tenure subject to a 1.5% NSR payable to the vendor to a maximum of \$3,000,000.

8. LEASE LIABILITIES

Pursuant to the adoption of IFRS 16 (Note 3), the Company has recognized the impact of lease obligations as of October 1, 2019. As at October 1, 2019, the Company's two leases had undiscounted remaining payments of \$229,614. Using a discount rate of 10%, the Company recognized additions to lease liabilities and Right-of-Use assets of \$156,665. During the year ended September 30, 2020, through amendments to lease payment schedules, the Company revalued the remaining payments and recognized further additions to lease liabilities and Right-of-Use assets of \$17,778.

The following summarizes the undiscounted minimum lease payments under the lease liabilities as at September 30, 2020:

Fiscal year	Payment
2021	\$ 46,364
2022	33,451
2023	33,451
2024	34,251
2025	23,901
Amount representing future lease accretion	(32,958)
Lease liabilities as at September 30, 2020	\$ 138,460

The following is a reconciliation of the changes in the lease liabilities:

	September 30, 2020
Opening balance	\$ -
Lease liabilities recognized on adoption of IFRS 16	156,665
Revaluation of lease liabilities	17,778
Lease accretion	15,332
Payments	(51,315)
	138,460
Current portion of lease liabilities	(34,387)
Lease liabilities	\$ 104,073

9. LOAN PAYABLE

As part of the Government of Canada's response to the COVID-19 global pandemic, certain businesses are eligible to apply for the Canada Emergency Business Account (the "CEBA"). The CEBA provides companies with a \$40,000 interest free loan to be used to cover non-deferrable operating expenses during the period where operations had been temporarily reduced due to the economic impacts of the COVID-19 virus. During the year ended September 30, 2020, the Company applied for the CEBA and received the \$40,000 loan. The CEBA remains interest free until December 31, 2022 and has no fixed repayment schedule. If \$30,000 is repaid on or before December 31, 2022, the remaining \$10,000 will be forgiven. If at December 31, 2022, any amount remains unpaid, the Company will enter into an extension agreement whereby it will accrue interest at a rate of 5% per annum, with a repayment schedule to be determined at that time.

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10. SHARE CAPITAL AND RESERVES

- a) Authorized share capital

Unlimited number of common and preferred shares without par value.

- b) Issued share capital

During the year ended September 30, 2020:

- a) The Company closed a non-brokered private placement by issuing 833,333 Non-Flow-Through Units (each, a "NFT Unit") at a price of \$0.06 per NFT Unit for gross proceeds of \$50,000. Each NFT Unit consists of one common share and one warrant, whereby each whole warrant entitles the holder to purchase one common share at a price of \$0.10 per share for a period of one year. No finder's fees were paid in connection with the issue of the NFT units. Using the residual value method, the Company recognized additions to share capital of \$41,667 and to warrants reserves of \$8,333.
- b) The Company issued 208,333 common shares with a fair value of \$0.06 per common share to settle accounts payable and accrued liabilities with a third party valued at \$12,500.
- c) The Company closed the first tranche of a non-brokered private placement by issuing 4,705,882 Flow Through Units (each, a "FT Unit") for gross proceeds of \$400,000. Each FT Unit consists of one flow-through share and one-half of one warrant, whereby each whole warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.10 per share for a period of one year. The Company paid finders' fees in connection with the financing consisting of \$32,000 cash and 376,470 agents warrants entitling the holders to purchase one non flow-through share at a price of \$0.10 for one year. The agent's warrants were fair valued at \$5,817 using the Black-Scholes pricing model using a share price of \$0.065, expected life of one year, and a volatility of 94.03%. The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$94,118. During the year ended September 30, 2020, the Company spent approximately 77% of the required flow-through expenditures under the issuance and \$40,935 was recognized to comprehensive loss as other income.
- d) The Company closed the second tranche of a non-brokered private placement by issuing 2,352,942 FT Units for gross proceeds of \$200,000. Each FT Unit consists of one flow-through share and one-half of one warrant, whereby each whole warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.10 per share for a period of one year. The Company paid finders' fees in connection with the financing consisting of \$16,000 cash and 188,235 agents warrants entitling the holders to purchase one non flow-through share at a price of \$0.085 for two years. The agent's warrants were fair valued at \$6,185 using the Black-Scholes pricing model using a share price of \$0.07, expected life of two years, and a volatility of 97.34%. The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$35,294. As at September 30, 2020, the Company has not yet incurred any of the required flow-through expenditures.
- e) The Company closed a third and final tranche of a non-brokered private placement by issuing 1,050,000 FT Units for gross proceeds of \$89,250. Each FT Unit consists of one flow-through share and one-half of one warrant, whereby each whole warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.10 per share for a period of one year. The Company paid finders' fees in connection with the financing consisting of \$1,496 cash and 17,600 agents warrants entitling the holders to purchase one non flow-through share at a price of \$0.10 for one year. The agent's warrants were fair valued at \$264 using the Black-Scholes pricing model using a share price of \$0.07, expected life of one year, and a volatility of 92.41%. In connection with the closing of the three tranches, the Company incurred additional closing costs of \$31,671. The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$21,000. As at September 30, 2020, the Company not yet incurred any of the required flow-through expenditures.
- f) The Company issued 100,000 common shares with a fair value of \$0.045 per common share as per the terms of the Tam Property option agreement (Note 7).

EnGold Mines Ltd.

NOTES TO THE FINANCIAL STATEMENTS
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10. SHARE CAPITAL AND RESERVES (cont'd...)

Issued share capital (cont'd...)

- g) The Company closed the first tranche of a non-brokered private placement by issuing 1,900,000 Non-Flow Through Units (each, a "NFT Unit") at a price of \$0.04 per NFT Unit for gross proceeds of \$76,000. Each NFT Unit consists of one common share and one warrant, whereby each warrant entitles the holder to purchase one common share at a price of \$0.07 per share for a period of two years. The Company paid finders' fees in connection with the financing consisting of \$4,620 cash and 115,500 agents warrants entitling the holders to purchase one non flow-through share at a price of \$0.04 for two years. The agent's warrants were fair valued at \$3,485 using the Black-Scholes pricing model using a share price of \$0.05, expected life of two years, and a volatility of 107.57%.
- h) The Company closed the second tranche of a non-brokered private placement by issuing 1,200,000 Non-Flow Through Units (each, a "NFT Unit") at a price of \$0.04 per NFT Unit for gross proceeds of \$48,000. Each NFT Unit consists of one common share and one warrant, whereby each warrant entitles the holder to purchase one common share at a price of \$0.07 per share for a period of two years. The Company paid finders' fees in connection with the financing consisting of \$2,100 cash and 52,500 agents warrants entitling the holders to purchase one non flow-through share at a price of \$0.04 for two years. The agent's warrants were fair valued at \$1,707 using the Black-Scholes pricing model using a share price of \$0.05, expected life of two years, and a volatility of 120.58%.
- i) The Company closed the third and final tranche of a non-brokered private placement by issuing 10,650,000 Non-Flow Through Units (each, a "NFT Unit") at a price of \$0.04 per NFT Unit for gross proceeds of \$426,000. Each NFT Unit consists of one common share and one warrant, whereby each warrant entitles the holder to purchase one common share at a price of \$0.07 per share for a period of two years. The Company paid finders' fees in connection with the financing consisting of \$29,820 cash and 745,500 agents warrants entitling the holders to purchase one non flow-through share at a price of \$0.05 for two years. The agent's warrants were fair valued at \$21,246 using the Black-Scholes pricing model using a share price of \$0.05, expected life of two years, and a volatility of 121.45%. In connection with the three tranches of the private placement, the Company incurred additional closing costs of \$19,899.
- j) The Company closed two tranches of a non-brokered private placement by issuing 4,666,667 Flow-Through Units (each, a "FT Unit") on August 13, 2020 and 3,334,668 FT Units on August 19, 2020 at a price of \$0.075 per FT Unit for gross proceeds of \$600,100. Each FT Unit consists of one flow-through common share and one half of one warrant, whereby each whole warrant entitles the holder to purchase one non-flow through common share at a price of \$0.10 for period of two years from close. In connection with the offering, the Company paid cash finders' fees of \$42,007 and issued 560,093 agents' warrants, entitling the holders to purchase one non-flow through common share at a price of \$0.10 for a period of one year. The agent's warrants were fair valued at \$10,626 using the Black-Scholes pricing model using a share price of \$0.06, expected life of one year, and a volatility of 125.18%. In connection with the private placements, the Company incurred additional closing costs of \$11,092. The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$136,693. As at September 30, 2020, the Company not yet incurred any of the required flow-through expenditures.

During the year ended September 30, 2019:

- a) The Company closed a non-brokered private placement of 2,003,572 flow-through units (each, a "FT Unit") at a price of \$0.14 per FT Unit for gross proceeds of \$280,500. Each FT Unit is comprised of one flow-through common share and one share purchase warrant (a "Warrant"). Each Warrant is exercisable at \$0.20 per share for a period of one year. The Company paid a finder's fee of \$14,000 and issued 100,000 agent's warrants exercisable at \$0.14 for one year. The agent's warrants were fair valued at \$3,871 using the Black-Scholes pricing model using a share price of \$0.12, expected life of one year, and a volatility of 102.02%. The Company incurred additional closing costs of \$15,074 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$50,089. During the year ended September 30, 2019, the Company spent all of the required flow-through expenditures under the issuance and \$50,089 was recognized in the statement of comprehensive loss as other income.

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10. SHARE CAPITAL AND RESERVES (cont'd...)

b) Issued share capital (cont'd...)

- b) the Company closed a non-brokered private placement of 1,666,666 flow-through units (each, a "FT Unit") at a price of \$0.12 per FT Unit for gross proceeds of \$200,000. Each FT Unit is comprised of one flow-through common share and one-half of one share purchase warrant (a "Warrant"). Each full Warrant is exercisable at \$0.16 per share for a period of one year. The Company paid a finder's fee of \$14,000 and issued 116,666 agent's warrants exercisable at \$0.16 for one year. The agent's warrants were fair valued at \$3,057 using the Black-Scholes pricing model using a share price of \$0.10, expected life of one year, and a volatility of 102.86%. The Company incurred additional closing costs of \$750 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$33,333. During the year ended September 30, 2019, the Company spent approximately 77% of the required flow-through expenditures under the issuance and \$25,676 was recognized to comprehensive loss as other income. The remaining expenditures were completed during the year ended September 30, 2020 with \$7,657 recognized to comprehensive loss as other income.
- c) the Company closed a non-brokered private placement of 2,909,091 flow-through common shares (each, a "FT Share") at a price of \$0.11 per FT Share for gross proceeds of \$320,000. The Company paid finders' fees of \$39,500 and issued 290,909 agent's warrants exercisable at \$0.12 for two years. The agent's warrants were fair valued at \$12,103 using the Black-Scholes pricing model using a share price of \$0.09, expected life of two years, and a volatility of 100.83%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$58,182. During the year ended September 30, 2020, the Company incurred all of the required expenditures and recognized \$58,182 to comprehensive loss as other income.
- d) the Company closed a non-brokered private placement of 750,000 flow-through common shares (each, a "FT Share") at a price of \$0.11 per FT Share for gross proceeds of \$82,500. The Company paid finders' fees of \$8,250 and issued 65,000 agent's warrants exercisable at \$0.12 for two years. The agent's warrants were fair valued at \$1,820 using the Black-Scholes pricing model using a share price of \$0.07, expected life of two years, and a volatility of 100.37%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of \$30,000. During the year ended September 30, 2020, the Company incurred all of the required expenditures and recognized \$30,000 to comprehensive loss as other income.

c) Stock options and warrants

The Company has a share purchase option plan approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, and employees. The share purchase option plan (the "2011 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of 7.5% of the Company's outstanding common shares, and may not exceed 5% to any individual, calculated from time to time. During the year ended September 30, 2018, the Rolling Option Plan was amended such that the maximum number of eligible shares reserved for issuance under the plan be reduced from 7.5% to 5% of the Company's outstanding common shares, of which 1.68% have been issued. Pursuant to the 2011 Rolling Option Plan, if outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the plan increases proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts).

Under the Plan, if an optionee ceases to be a director, officer or employee for any reason other than death, this option shall terminate as specified by the Board and all rights to purchase common shares under such option shall cease and expire and be of no further force or effect. Options have a maximum term of five years and depending on who the optionee is and whether the optionee resigned or is terminated, will terminate on the effective date of resignation or termination or 18 months following termination, except in the case of death, in which case they terminate one year after death. Unless otherwise noted vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Vested options are exercisable at any time.

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10. SHARE CAPITAL AND RESERVES (cont'd...)

c) Stock options and warrants (cont'd...)

During the year ended September 30, 2020, the Company granted 2,630,000 options (2019 – nil). The weighted average fair value of options granted during the year ended September 30, 2020 was \$0.01 (2019 - \$nil). Total share-based payments recognized in the statement of shareholders' equity for the year ended September 30, 2020 was \$90,085 (2019 - \$274,342) for incentive options vested and was recognized in profit or loss. The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	September 30, 2020	September 30, 2019
Weighted average share price	\$0.03	-
Risk-free interest rate	0.68%	-
Expected life of option	3.00 years	-
Expected annualized volatility	107.57%	-
Expected dividend rate	Nil	-

Stock option and share purchase warrants transactions are summarized as follows:

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2018	4,105,996	\$ 0.39	18,254,189	\$ 0.33
Issued	-	-	3,409,480	0.18
Expired and cancelled	(1,499,332)	0.36	(11,955,250)	0.38
Exercised	-	-	(3,010,830)	0.09
Balance, September 30, 2019	2,606,664	0.40	6,697,589	0.29
Issued	2,630,000	0.10	24,694,311	0.08
Expired and cancelled	(1,516,664)	0.40	(6,341,680)	0.29
Balance, September 30, 2020 - outstanding	3,720,000	\$ 0.19	25,050,220	\$ 0.08
Balance, September 30, 2020 - exercisable	3,720,000	\$ 0.19	25,050,220	\$ 0.08

As at September 30, 2020, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
Stock Options	1,023,334	\$ 0.40	March 16, 2021
	66,666	\$ 0.40	August 8, 2021
	<u>2,630,000</u>	\$ 0.10	March 17, 2023
	<u>3,720,000</u>		

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10. SHARE CAPITAL AND RESERVES (cont'd...)

c) Stock options and warrants (cont'd...)

As at September 30, 2020, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
Share Purchase Warrants	290,909	\$ 0.12	July 2, 2021
	65,000	\$ 0.12	September 24, 2021
	2,729,412	\$ 0.10	December 17, 2020*
	1,176,471	\$ 0.10	December 18, 2020*
	188,235	\$ 0.085	December 18, 2021
	542,600	\$ 0.10	December 27, 2020*
	833,333	\$ 0.10	February 4, 2021
	1,900,000	\$ 0.07	June 19, 2022
	115,500	\$ 0.04	June 19, 2022
	1,200,000	\$ 0.07	June 30, 2022
	52,500	\$ 0.04	June 30, 2022
	10,650,000	\$ 0.07	July 22, 2022
	745,500	\$ 0.04	July 22, 2022
	2,333,333	\$ 0.10	August 13, 2022
	326,666	\$ 0.10	August 13, 2021
	1,667,334	\$ 0.10	August 19, 2022
	233,427	\$ 0.10	August 19, 2021
	<u>25,050,220</u>		

*subsequent to the year ended September 30, 2020, all of these warrants expired unexercised.

11. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, Vice President of Exploration and Directors of the Company. The remuneration of the key management personnel for the year ended September 30, 2020 is as follows:

- Included in management, salaries, and consulting fees was \$120,000 (2019 - \$120,000) for services provided by the CEO, \$24,000 (2019 - \$24,000) paid to the corporate secretary, and \$48,000 (2019 - \$48,000) to a company that employs the CFO of the Company.
- Included in exploration and evaluation expenditures are \$130,200 (2019 - \$138,000) for geological consulting services to a company controlled by the Vice President of Exploration.
- Share-based payments of \$98,107 (2019 - \$248,426) related to the fair value of stock options issued to key management personnel.

An amount of \$4,200 (September 30, 2019 - \$20,516) included in accounts payable is owed to related parties. These balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand. Included in prepaid expenses was \$14,000 (September 30, 2019 - \$nil) advanced to related parties.

12. COMMITMENTS AND CONTINGENCIES

- From time to time, certain claims, lawsuits, and complaints may arise in the ordinary course of operations against the Company. Provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. The Company is not aware of any material unrecorded contingent liabilities which require recording in the financial statements for the year ended September 30, 2020.

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12. COMMITMENTS AND CONTINGENCIES (cont'd...)

In addition to the above, a former senior officer of the Company commenced litigation against the Company alleging wrongful dismissal and claiming unspecified damages. During the year ended September 30, 2020, a judgment was reached, and the Company was ordered to pay \$72,500 plus plaintiff's costs, estimated initially to be \$60,000. As at September 30, 2019, the Company had accrued a total of \$132,500 related to the judgment in accounts payable and accrued liabilities. During the period, the Company appealed the judgment. Also during the period, the court provided a ruling on costs awarding the plaintiffs full indemnity, estimated by the plaintiffs to be in excess of \$500,000. On May 22, 2020, the Company received a court order to post \$250,000 in security related to the plaintiff's costs pending the outcome of the appeal. During this same period, the Company was also required to pay into trust \$89,045 related to the judgment. During the year the Company paid into trust all the ordered amounts, totaling \$339,045. Accordingly, for the year ended September 30, 2020 the Company recognized an additional \$206,545 in professional fees for the plaintiff's costs, of which the entire amount has been paid into trust pending the appeal.

- ii) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors. As of September 30, 2020, the Company has an obligation to incur \$1,115,379 (September 30, 2019 - \$448,444) of eligible expenses pursuant to the terms of the flow through shares financing.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Interest Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, commodity prices, and equity prices 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. As at September 30, 2020, the Company is not materially exposed to market risk.

b) Interest Risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank.

As of September 30, 2020, the Company's exposure to interest rate risk is cash with variable interest rate. A change in interest rates of 1% would not materially affect the Company's cash flows.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its reclamation deposit.

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company anticipates that the current funds are not sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure financing including additional equity offerings. However, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by, among other things, the strength of the capital markets.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statement of financial position carrying values for receivables, and accounts payable and accrued liabilities approximates fair value due to their short-term nature.

14. CAPITAL MANAGEMENT

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital consists of shareholder's equity comprising issued capital; share purchase warrants; reserves and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs. There were no changes in the Company's approach to capital management during the current period and the Company is not subject to externally imposed capital requirements, except when the Company issues flow-through shares. The Company is subject to certain requirements in relation to its use of funds raised through the issuance of flow-through shares. These funds have to be incurred for eligible exploration expenditures in accordance with Canadian federal and certain provincial income tax acts.

15. INCOME TAXES

A reconciliation of income tax expenses / (recovery) at statutory tax rates to the effective tax rate for the year ended September 30, 2020 is as follows:

	2020	2019
Income / (loss) before taxes for the year	\$ (1,349,144)	\$ (1,781,244)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	\$ (364,000)	\$ (481,000)
Non-deductible expenses	(12,000)	48,000
Impact of flow through shares	187,000	163,000
Impact of tax rate changes and other	(1,000)	1,000
Share issuance costs	(51,000)	(25,000)
Adjustment to prior years' versus statutory returns and expiry of non-capital losses	(263,000)	(204,000)
Change in unrecognized deductible temporary differences	504,000	498,000
Income tax expense/(recovery)	\$ -	\$ -

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15. INCOME TAXES (cont'd...)

The significant components of the Company's unrecorded deferred tax assets (liabilities) are as follows:

	2020	2019
Deferred tax assets:		
Equipment	125,000	120,000
Mineral properties	1,760,000	1,773,000
Share issue costs	89,000	78,000
Allowable capital losses	6,000	6,000
Non-capital losses available for future periods	3,035,000	2,534,000
	5,015,000	4,511,000
Unrecognized deferred tax assets	(5,015,000)	(4,511,000)
Net deferred tax assets	\$ -	\$ -

Tax losses carried forward are as follows:

	2020 (\$)	2019 (\$)	Expiry date range
Mineral properties	6,272,000	6,319,000	No expiry date
Equipment	462,000	446,000	No expiry date
Share issue costs	331,000	289,000	2040-2044
Allowable capital losses	22,000	22,000	No expiry date
Non-capital losses available for future periods	11,241,000	9,386,000	2026-2040

The deferred tax assets related to the temporary differences were not recognized, as its recoverability was not considered to be probable.

16. SUBSEQUENT EVENT

Subsequent to the year ended September 30, 2020, the Company granted 500,000 stock options with an exercise price of \$0.10 and life of three years to a consultant.