WildSky
RESOURCES INC

# CONSOLIDATED FINANCIAL STATEMENTS

## For the Years ended

## November 30, 2019 and 2018

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Wildsky Resources Inc.

***Opinion***

We have audited the accompanying consolidated financial statements of Wildsky Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, 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 Consolidated 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 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 of the consolidated financial statements, which indicates that as at November 30, 2019, the Company has a working capital of $1,459,988 and a deficit of $56,823,173. 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 consolidated 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 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 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Glenn Parchomchuk.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

February 27, 2020

**WILDSKY RESOURCES INC.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT November 30,

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | $ 169,901 | $ 176,915 |
| Receivables | | 6,563 | 29,590 |
| Investments | 3, 5 | 1,746,000 | - |
| Prepaid expenses | | 11,307 | 7,810 |
| **Total current assets** | | 1,933,771 | 214,315 |
| **Property, plant and equipment** | 4 | 433,025 | 479,780 |
| **Reclamation bonds** | 6 | 354,944 | 349,444 |
| **Exploration and evaluation assets** | 5 | 6,839,004 | 7,809,859 |
| **Total assets** | | $ 9,560,744 | $ 8,853,398 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | | $ 104,163 | $ 36,412 |
| Due to related parties | 9 | 66,700 | 39,095 |
| Convertible debentures | 7 | 302,920 | - |
| **Total current liabilities** | | 473,783 | 75,507 |
| **Asset retirement obligation** | 6 | 2,809,783 | 2,283,225 |
| **Total liabilities** | | 3,283,566 | 2,358,732 |
| **Shareholders' equity** | | | |
| Share capital | 8 | 52,991,720 | 52,991,720 |
| Share-based payments reserve | | 10,072,391 | 9,953,777 |
| Equity components of convertible debentures | 7 | 36,240 | - |
| Deficit | | (56,823,173) | (56,450,831) |
| **Total shareholders' equity** | | 6,277,178 | 6,494,666 |
| **Total liabilities and shareholders' equity** | | $ 9,560,744 | $ 8,853,398 |

**Nature of operations and going concern** (Note 1)
**Events subsequent to the reporting period** (Note 15)

**On behalf of the Board:**

*"Wilson Jin"* Director *"John Anderson"* Director

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

**WILDSKY RESOURCES INC.**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED November 30,

| | 2019 | 2018 |
|---|---|---|
| **EXPENSES** | | |
| Accretion of asset retirement obligation (Note 6) | $ 58,732 | $ 56,242 |
| Accretion of interest (Note 7) | 37,160 | - |
| Amortization (Note 4) | 46,755 | 58,346 |
| Consulting fees | - | 33,860 |
| Filing and transfer agent | 26,047 | 39,522 |
| Loan interest (Note 9) | - | 730 |
| Management fees (Note 9) | 168,000 | 168,000 |
| Professional fees | 50,184 | 46,349 |
| Project investigation (Note 15) | 126,642 | - |
| Rent and office expenses (Note 9) | 29,230 | 19,652 |
| Share based compensation (Note 8) | 118,614 | 189,731 |
| Shareholder relations | 9,140 | 12,513 |
| Camp maintenance | 47,418 | 223,218 |
| **Total expenses** | (717,922) | (848,163) |
| Fair value adjustment on investments (Note 3) | 349,200 | - |
| Interest income | 4,780 | 4,007 |
| Write-off of receivables | (8,400) | - |
| Loss on foreign exchange | - | (500) |
| | 345,580 | 3,507 |
| **Loss and comprehensive loss for the year** | (372,342) | (844,656) |
| Basic and diluted loss per common share | $ (0.03) | $ (0.06) |
| Weighted average number of common shares outstanding - Basic and diluted | 14,839,813 | 13,556,416 |

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

**WILDSKY RESOURCES INC.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED November 30,

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the year | $ (372,342) | $ (844,656) |
| Items not affecting cash: | | |
| Accretion of asset retirement obligation | 58,732 | 56,242 |
| Accretion of interest | 37,160 | - |
| Amortization | 46,755 | 58,346 |
| Share based compensation | 118,614 | 189,731 |
| Fair value adjustment on investments | (349,200) | - |
| Write-off of accounts receivable | 8,400 | - |
| Unrealized foreign exchange loss on loan | - | 1,230 |
| Changes in non-cash working capital items: | | |
| Other receivables and prepaids | 11,130 | (23,461) |
| Accounts payable and accrued liabilities | 67,751 | (76,841) |
| Due to related parties | 27,605 | - |
| Net cash used in operating activities | (345,395) | (639,409) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from share issuance | - | 1,449,000 |
| Share issuance costs | - | (7,995) |
| Proceeds from convertible debentures | 302,000 | - |
| Repayment of loan and interest to related party | - | (283,337) |
| Net cash provided by financing activities | 302,000 | 1,157,668 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of reclamation bonds | (5,500) | - |
| Acquisition of property, plant and equipment | - | (98,287) |
| Exploration and evaluation expenditures | 41,881 | (268,853) |
| Net cash provided by (used in) investing activities | 36,381 | (367,140) |
| Change in cash during the year | (7,014) | 151,119 |
| Cash, beginning of year | 176,915 | 25,796 |
| Cash, end of year | $ 169,901 | $ 176,915 |

**Supplemental disclosures with respect to cash flows** (Note 13)

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

**WILDSKY RESOURCES INC.**
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

| | Share Capital | | | | | |
|---|---|---|---|---|---|---|
| | Number | Amount | Share-Based Payments Reserve | Equity component of convertible debentures | Deficit | Total |
| **Balance, December 1, 2017** | 7,594,813 | $ 51,550,715 | $ 9,764,046 | $ - | $ (55,606,175) | $ 5,708,586 |
| Private placement | 7,245,000 | 1,449,000 | - | - | - | 1,449,000 |
| Share issuance costs | - | (7,995) | - | - | - | (7,995) |
| Share-based compensation | - | - | 189,731 | - | - | 189,731 |
| Loss for the year | - | - | - | - | (844,656) | (844,656) |
| **Balance, November 30, 2018** | 14,839,813 | 52,991,720 | 9,953,777 | - | (56,450,831) | 6,494,666 |
| Equity component of convertible debentures | - | - | - | 36,240 | - | 36,240 |
| Share-based compensation | - | - | 118,614 | - | - | 118,614 |
| Loss for the year | - | - | - | - | (372,342) | (372,342) |
| **Balance, November 30, 2019** | 14,839,813 | $ 52,991,720 | $ 10,072,391 | $ 36,240 | $ (56,823,173) | $ 6,277,178 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Wildsky Resources Inc. ("Wildsky" or the "Company") was incorporated in January 2006 under the laws of British Columbia, Canada. The Company's registered office is Suite 890 – 580 Hornby Street, Vancouver, British Columbia, Canada. Wildsky is listed on the TSX Venture Exchange under the trading symbol "WSK". The Company and its subsidiary are in the business of acquisition, exploration and development of mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for the foreseeable future and meet its obligations and commitments in the normal course of business. As the Company is in the exploration stage, no revenue has been generated to date. At November 30, 2019, the Company had cash of $169,901 (2018 - $176,915), a working capital of $1,459,988 (2018 –$138,808) and a deficit of $56,823,173 (2018 - $56,450,831).

In the past, operating capital and exploration requirements have been funded primarily from equity and debt financing and the Company will need to arrange equity or other financing in the near future in order to continue in operation. While the Company has been successful in raising capital in the past, there can be no assurance that such financing will be available to the Company in the amount required or that it can be obtained on terms satisfactory to the Company. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities, the reported expenses and the statements of financial position classifications that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issue by the Board of Directors on February 27, 2020.

### Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cassiar Gold Corp. ("Cassiar"). The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

**Cash**

Cash includes cash held at major financial institutions and highly liquid guaranteed investment certificates that are readily available to the Company on demand or with maturity dates of three months or less.

**Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated amortization and any impairment charges. The cost of an item of property, plant and equipment includes the purchase price and related costs in bringing the item to the location and preparing the condition necessary for its intended use, as well the estimated costs of dismantling, removing the item and restoring the site on which the item is installed.

Amortization expense of assets used in exploration are capitalized to exploration and evaluation assets. Amortization is recorded over the expected useful lives of the assets on the declining balance basis at the following annual rates:

| | |
|---|---|
| Buildings and bridges | 10% |
| Site equipment | 20% |
| Vehicles | 30% |
| Computer equipment | 30% |
| Office furniture | 20% |

**Exploration and evaluation assets ("E&E" assets)**

The Company capitalizes costs related to the acquisition and exploration of E&E assets. These costs include drilling, assaying, geological, geophysical, technical studies and any other exploratory activities. E&E assets for which commercially viable reserves have been identified are reclassified to development assets. They are tested for impairment immediately prior to reclassification out of E&E assets. When an unproven mineral interest is abandoned, all related expenditures are written off to operations for the period.

**Impairment of non-current assets**

Property, plant and equipment and exploration and evaluation assets are assessed for impairment when events or circumstances indicate that the carrying amounts of the assets may not be recoverable. An impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its 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. Value in use is determined as the present value of the estimated future pre-tax cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. The Company reviews impairment on non-financial assets for possible reversal when events or circumstances warrant such consideration.

**Asset retirement obligation ("ARO")**

Restoration provision is made for future obligations to retire long-lived assets which include dismantling, removing facilities and restoring the affected areas to normal operations. The provision for future restoration costs is the best estimate of the present value of the cash flows required to settle the restoration obligation at the reporting date.

Upon initial recognition of the ARO liability, the amount is capitalized to the carrying value of the related asset and amortized as an expense over the economic life of the asset. The ARO liability increases in following periods as the accretion expenses are accounted for. The ARO is adjusted annually for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate.

**Share-based payments**

The Company uses the fair value method of accounting for share-based payments on stock option grants. Under this method, the cost of stock options is recorded based on the estimated fair value at the grant date, including an estimate of the forfeiture rate, and charged either to operations or capitalized to exploration and evaluation asset costs over the vesting period. The fair value is calculated using the Black-Scholes option pricing model.

Share-based payment transactions for employees and others providing similar services is determined based on the grant date fair value. Share-based payment for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains such goods or services.

Each tranche in an option award is considered a separate award with its own vesting period. Share-based payment expense is recognized over each tranche's vesting period, in earnings or capitalized as appropriate, based on the number of awards expected to vest. Where awards are forfeited, the expense previously recognized is proportionately reversed in the period the forfeiture occurs. If stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

**Loss per share**

Basic earnings (loss) per share is computed by taking the loss for the period divided by the weighted average number of common shares outstanding during the period. The dilutive effect on loss per share is calculated presuming the exercise of outstanding stock options and warrants.

For the years ended November 30, 2019 and 2018, basic and diluted losses per share are the same as the effect of potential issuances of shares under outstanding stock options and warrants are anti-dilutive.

**Convertible debentures**

Convertible debentures are separated into their liability and equity components on the statements of financial position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is recognized at amortized cost, using the effective interest method, until extinguished upon conversion, maturity or a normal course issuer bid. The fair value of the equity component of the convertible debentures is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component.

**Income taxes**

Income taxes comprise current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using enacted tax rates at the reporting date. Deferred tax is calculated using the liability method on temporary differences between the carrying values of assets and liabilities and their respective income tax bases, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply when the assets are recovered and the liabilities settled. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that future taxable income will be available against which they can be used.

**Financial instruments**

The Company adopted IFRS 9, Financial Instruments ("IFRS 9"), on December 1, 2018.

IFRS 9, Financial instruments, replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principles-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The adoption of this new standard had no significant impact on the Company's consolidated financial statements and the new accounting policy was defined as follows:

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

*Financial assets*
The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

c) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash, receivables and reclamation bonds, which are measured at amortized cost; and investments in public company shares which are measured at fair value through profit or loss.

*Financial liabilities*
The Company's liabilities include accounts payable and accrued liabilities, due to related parties and convertible debentures which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

*Impairment*
The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

**Management judgments and estimates**

The preparation of these consolidated financial statements in accordance with IFRS requires management use of estimates, assumptions and judgment that impact the Company's reported financial results. These estimates are based on past experiences and expectations of future events. Uncertainty on these judgments could result in material differences of the carrying amounts in the Company's financial position.

The key judgments and estimates that affect the consolidated financial statements are:

*Impairment of exploration and evaluation assets (E&E assets)*

The Company carries out an impairment assessment on its E&E assets when circumstances indicate their carrying values may exceed their recoverable amounts. The process of determining the impairment involves significant judgment and estimation on the recoverability of the E&E assets as it relies on both an interpretation of geological and technical data as well as market conditions including commodity prices, investor sentiment and global financing. As new information comes up, the recoverable amounts of the assets and the impairment loss may differ from these judgments and estimates.

*Impairment of property, plant and equipment*

The Company carries out an impairment assessment on its property, plant and equipment when circumstances indicate their carrying values may exceed their recoverable amounts. The process of determining the impairment involves significant judgment and estimation on the recoverability of the carrying value of the property, plant and equipment, which is impacted by factors such as the condition of and demand for such assets. Therefore, actual recoverable amounts of the assets and the impairment loss may differ from these judgments and estimates.

*Asset retirement obligation ("ARO")*

Provision on the retirement of the E&E assets and site restoration is based on many assumptions and judgments: future estimated costs, expected amounts of cash flows to discharge the obligation, timing of such cash flows and the prevalent market discount rate. Any changes to the assumptions will result in an adjustment to the provision which affects the Company's liabilities and operating results.

**New, amended and future accounting pronouncements**

Standards and amendments issued but not yet effective for the year ended November 30, 2019, are as follows:

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases.* The guidance requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The guidance is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect any impact on its financial statements from this new standard.

**(Expressed in Canadian dollars)**

## 3. INVESTMENTS

The Company received 17,460,000 shares from Margaux Resources Ltd. ("Margaux") in November 2019 (Note 5).

| | Year ended November 30, 2019 |
|---|---|
| Investments – beginning balance | $ - |
| Fair value of shares received | 1,396,800 |
| Fair value adjustment | 349,200 |
| Investments – ending balance | $ 1,746,000 |

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Computers | Total |
|---|---|---|---|---|
| **COST** | | | | |
| **Balance, November 30, 2017** | $ 20,000 | $ 780,000 | $ 64,988 | $ 864,988 |
| **Additions** | - | 95,217 | 3,072 | 98,289 |
| **Write-off** | - | - | (64,988) | (64,988) |
| **Balance, November 30, 2018 and 2019** | $ 20,000 | $ 875,217 | $ 3,072 | $ 898,289 |
| **Accumulated amortization** | | | | |
| **Balance, November 30, 2017** | $ - | $ 372,390 | $ 64,988 | $ 437,378 |
| **Additions** | - | 45,522 | 597 | 46,119 |
| **Write-off** | - | - | (64,988) | (64,988) |
| **Balance, November 30, 2018** | - | 417,912 | 597 | 418,509 |
| **Additions** | - | 45,731 | 1,024 | 46,7565 |
| **Balance, November 30, 2019** | $ - | $ 463,643 | $ 1,621 | $ 465,264 |
| **Carrying amounts** | | | | |
| **At November 30, 2018** | $ 20,000 | $ 457,305 | $ 2,475 | $ 479,780 |
| **At November 30, 2019** | $ 20,000 | $ 411,574 | $ 1,451 | $ 433,025 |

**(Expressed in Canadian dollars)**

## 5. EXPLORATION AND EVALUATION ASSETS

### Cassiar Project, British Columbia

The Company, through its subsidiary Cassiar Gold Corp. ("Cassiar"), owns 100% of the Cassiar project's mineral assets. The Cassiar project is located in northern British Columbia, Canada.

The Cassiar project's two major areas of exploration and development activities are the Table Mountain and Taurus properties. Table Mountain is a past-producing underground gold mine. The property has a fully permitted gold mill and tailings management facility which are available for future ore processing.

The Company's expenditures on its exploration and evaluation assets were as follows:

| | Year ended November 30, 2019 | Year ended November 30, 2018 |
|---|---|---|
| Balance, beginning of the year | $ 7,809,859 | $ 7,014,044 |
| Exploration costs | | |
| Asset retirement obligation – changes in estimation | 467,826 | 526,962 |
| Assay | 25,520 | 51,866 |
| Soil sampling | - | 120,069 |
| Staking | 522 | 1,070 |
| Tailing pond drilling | - | 95,848 |
| BC Mining Exploration Tax Credit | (62,423) | - |
| Margaux Payment shares | (1,396,800) | - |
| Others | (5,500) | - |
| Balance, end of the year | $ 6,839,004 | $ 7,809,859 |

*Option agreement with Margaux Resources Ltd. ("Margaux")*

On March 25, 2019, the Company entered into an option agreement (the "Agreement") with Margaux, a TSX-V listed junior exploration company. Pursuant to the terms of the Agreement, the Company will grant (the "Transaction") Margaux an option (the "Option") to acquire all of the common shares (the "Cassiar Shares") in the capital of the Company's wholly-owned subsidiary Cassiar.

In order to exercise the Option, Margaux will issue 58,200,000 common shares (the "Payment Shares") in the capital of Margaux, undertake exploration on Cassiar's property and satisfy certain other conditions as follows:

(a) Issue 5,820,000 Payment Shares (received, valued at $465,600) being issued to the Company on receipt of final TSX-V approval of the Agreement, as fully paid and non-assessable securities;

(b) Issue 11,640,000 Payment Shares (received, valued at $931,200) being issued to the Company on the date that is the earlier of six months from (i) the date of the Agreement, and (ii) the receipt of final TSX-V approval of the Agreement;

(c) Issue 17,460,000 Payment Shares to the Company on the date that is the earlier of twelve months from (i) the date of the Agreement, and (ii) the receipt of final TSX-V approval of the Agreement; and

(d) Issue 23,280,000 Payment Shares to the Company on the date that is the earlier of eighteen months from (i) the date of the Agreement, and (ii) the receipt of final TSX-V approval of the Agreement.

(e) Margaux will expend at least $400,000 on the planning, development and execution of the Cassiar 2019 work program, based on a mutually approved budget;

**(Expressed in Canadian dollars)**

(f) Six months after execution of the Definitive Agreement, the Company will have the right to appoint one member to the board of directors of Margaux;

(g) Twelve months after execution of the Definitive Agreements, the Company will have the right to appoint an additional person (for a total of two board members) to the board of directors of Margaux; and

(h) Twelve months after execution of the Definitive Agreements, the Company will have the right to appoint one person to the senior management team of Margaux, on terms and conditions to be agreed upon by Margaux and Wildsky, acting reasonably.

(i) The Company being granted a 30% net profit interest (the "NPI") on all minerals processed from Cassiar's TM #1 tailings pond (the "Tailings Pond") located on the Cassiar property, after capital payout of up to $500,000. The Definitive Agreement shall include a schedule detailing the calculation of NPI.

If, at any time prior to the exercise of the Option or the termination of the Agreement, Margaux or its agent(s) remove material from the Tailings Pond for purposes other than bona fide exploration and testing purposes, and such material is processed for its minerals and/or metals, then the time periods set out above in paragraph's (b), (c) and (d) of shall be accelerated to seven days from the date of first removal of such material.

All Payment Shares issued to the Company in accordance with the Agreement shall be subject to a statutory hold period (the "Statutory Hold Period") of 4 months plus a contractual hold period of a further 8 months (for a total of 12 months from the date of issuance). If Acceleration occurs, then all Payment Shares issued to the Company, including any Payment Shares issued prior to Acceleration, shall only be subject to the Statutory Hold Period. For greater certainty, if any Payment Shares have been issued to the Company more than 4 months prior to the occurrence of Acceleration, then those Payment Shares shall immediately become "free-trading".

For greater certainty, Margaux will not acquire any interest whatsoever in the Cassiar Shares until such time as it has satisfied all the requirements of exercise of the Option as set out in the Agreement. If Margaux fails to fully comply with all such conditions of exercise within the stipulated time periods, the Option shall immediately terminate and Margaux shall forfeit all interest in any and all Payment Shares issued to the Company.

## 6. ASSET RETIREMENT OBLIGATION ("ARO")

The Company has future obligations relating to retiring its exploration and evaluation assets at the Cassiar Property including dismantling, remediation and treatment of the site. The exact nature and costs of the obligation are subject to change because of the ongoing changes of environmental requirements enacted by government agencies.

A continuity of the asset retirement obligation is as follows:

| | Year ended November 30, 2019 | Year ended November 30, 2018 |
|---|---|---|
| Asset retirement obligation – beginning balance | $ 2,283,225 | $ 1,700,021 |
| Changes in estimates | 467,826 | 526,962 |
| Accretion expense | 58,732 | 56,242 |
| Asset retirement obligation – ending balance | $ 2,809,783 | $ 2,283,225 |

**(Expressed in Canadian dollars)**

The total undiscounted cash flow estimated to settle the obligations as at November 30, 2019 was $2,750,214 (2018 - $2,317,232) which was adjusted for inflation at the rate of 1.9% and then discounted at a risk free rate of 1.59%. Certain minimum amounts of ARO will occur each year with the significant amounts expected to be incurred in 2029.

At November 30, 2019, the Company has $354,944 (2018 - $349,444) of reclamation bonds with the Ministry of Energy and Mines of British Columbia as commitments to meet its regulatory obligations. The reclamation bonds are interest bearing at the prime rate less 0.60% and 0.70% respectively. The reclamation bonds are hypothecated and automatically renewed upon maturity.

## 7. CONVERTIBLE DEBENTURES

| | | Year ended November 30, 2019 |
|---|---|---|
| Convertible debentures at issuance | $ | 265,760 |
| Interest accretion | | 37,160 |
| Convertible debenture – ending balance | $ | 302,920 |

In May 2019, the Company closed a non-brokered, private placement of debentures (the "Debentures") of the Company at a price of $1,000 per Debenture for gross proceeds of $302,000. Each Debenture has the following terms and conditions attached:

1) Term: Twelve months from the date of issuance of the Debentures, subject to an option on the part of the holders thereof to extend the maturity to twenty-four months from the date of issuance of the Debentures.

2) Interest Rate: The Debentures shall bear a simple interest of 10% per annum, accrued monthly, and payable at maturity. As at November 30, 2019, there was $37,160 of interest accrued.

3) Security: The Debentures shall be unsecured.

4) Conversion: The Debenture holder may, at any time and from time to time up to maturity, elect to convert the outstanding Debentures and any interest accrued and unpaid thereon into common shares in the capital of the Company at a price of $0.10 per share.

For accounting purposes, the Debentures are separated into their liability ($265,760) and equity components ($36,240) by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows of the Debentures assuming an 25% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component.

**(Expressed in Canadian dollars)**

## 8. SHARE CAPITAL

Authorized - unlimited number of common shares without par value

**Share issuance**

There were no share issuances during the year ended November 30, 2019.

During the year ended November 30, 2018, the Company closed a non-brokered private placement, issuing 7,245,000 units at $0.20 per unit for total proceeds of $1,449,000. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share at $0.30 per share for a period of two years.

**Stock options**

The Company has a stock option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees and consultants. The term of the option grants is up to ten years and vests immediately except for stock options granted to investor relations consultants whereby these options vest over 12 months. The maximum number of common shares reserved for issue shall not exceed 10% of the total number of common shares issued and outstanding as at the grant date.

During the year ended November 30, 2018, the Company granted to directors, officers and consultants 950,000 stock options, exercisable at $0.20 per share for a term of 5 years. These options vested on the date of grant. The fair value of the stock options granted was $189,731 ($0.20 per option). The options were cancelled on July 26, 2019.

During the year ended November 30, 2019, the Company granted to directors, officers and consultants 1,400,000 stock options, exercisable at $0.10 per share for a term of 5 years. These options vested on the date of grant. The fair value of the stock options granted was $118,614 ($0.08 per option).

The fair value of the stock options granted was determined using the following assumptions:

| **Weighted average assumptions** | **Year ended November 30, 2019** | **Year ended November 30, 2018** |
|---|---|---|
| Risk free interest rate | 1.20% | 2.18% |
| Volatility | 264.74% | 283.99% |
| Expected life of options | 5 years | 5 years |
| Dividend rate | 0% | 0% |

Stock option transactions are summarized as follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, November 30, 2017 | - | $ | - |
| Granted | 950,000 | | 0.20 |
| Balance, November 30, 2018 | 950,000 | | 0.20 |
| Expired/cancelled | (950,000) | | 0.20 |
| Granted | 1,400,000 | | 0.10 |
| Balance, November 30, 2019 | 1,400,000 | $ | 0.10 |
| Exercisable, at November 30, 2019 | 1,400,000 | $ | 0.10 |

**(Expressed in Canadian dollars)**

As at November 30, 2019, the following incentive stock options are outstanding:

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 1,400,000 | $ 0.10 | August 7, 2024 |

**Warrants**

The continuity of the Company's warrants as of November 30, 2019 is as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, November 30, 2017 | - | $ - |
| Issued | 7,245,000 | $ 0.30 |
| Balance, November 30, 2018 and 2019 | 7,245,000 | $ 0.30 |

As at November 30, 2019, the following warrants are outstanding:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 7,245,000 | $ 0.30 | December 12, 2019 (expired without exercise subsequently) |

## 9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended November 30, 2019:

a) During the year ended November 30, 2019, the Company paid or accrued $96,000 (2018 -$96,000) to a company controlled by the CEO and President. As of November 30, 2019, $36,400 (2018 - $22,000) payable to the company controlled by the CEO and President was included in accounts payable and accrued liabilities.

On May 21, 2019, the company controlled by the CEO and President subscribed for 42 units of the Company's convertible debenture for a principal of $42,000 (Note 7). The related accretion and interest expense are $5,168 (2018 - $nil).

b) During the year ended November 30, 2019, the Company paid or accrued $72,000 (2018 -$72,000) to a company controlled by the CFO. As of November 30, 2019, $30,300 (2018 - $12,000) payable to the company controlled by the CFO was included in accounts payable and accrued liabilities.

On May 21, 2019, the CFO subscribed for 10 units of the Company's convertible debenture for a principal of $10,000 (Note 7). The related accretion and interest expense are $1,230 (2018 - $nil).

c) During the year ended November 30, 2019, the Company paid or accrued $6,000 (2018 -$6,000) to a company of which the CEO and President is a director. As of November 30, 2019, the Company prepaid $525 for December rent. At November 30, 2018, $4,200 was payable to the company.

d) During the year ended November 30, 2019, 1,300,000 (2018 – 850,000) stock options were granted to directors and officers having a fair value on issuance of $110,142 (2018 - $169,759).

e) During the year ended November 30, 2018, the Company accrued $730 in interest to a director on a US$200,000 loan, the principal and accrued interest of which, totalling $283,337, was fully repaid in December 2017.

Accounts payable to related parties do not bear interest, are unsecured and repayable on demand.

## 10. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets located in Canada.

## 11. FAIR VALUE MEASUREMENT AND RISK MANAGEMENT

The Company's accounts payable and accrued liabilities, due to related parties, and convertible debentures are measured at amortized cost. Its financial assets, GST receivable and reclamation bonds, are also measured at amortized cost. The Company's carrying values of these items approximate their fair value due to the relatively short periods to maturity of the instruments.

**Financial risk management**

The Company's objective in risk management is to maintain its ability to continue as a going concern. It is exposed to the following risks:

**Liquidity risk**

Liquidity risk is the risk that the Company might not be able to meet its obligations and commitments as they come due. As at November 30, 2019, the Company had cash of $169,901 (2018 - $176,915) and a working capital of $1,459,988 (2018 – $138,808).

**Credit risk**

Credit risk arises from cash held with financial institutions as well as credit exposure on outstanding receivables.

The Company's cash is held at high-credit rating financial institutions. The Company's maximum exposure to credit risk is the carrying amounts of cash and receivables on its consolidated statement of financial position.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk
Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company's convertible debentures bear interest at 10% per annum. The Company's exposure to interest rate risk is insignificant.

ii. Foreign currency risk
Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has no significant assets or liabilities and has no revenue or expenses denominated in a foreign currency, so it is not exposed to foreign currency risk.

iii. Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

## 12. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure its ability to continue as a going concern to meet its operational obligations and to maintain capital access to fund its Cassiar mineral exploration activities.

The capital that the Company manages is the total of liabilities and equity on the consolidated statements of financial position. The Company may modify the capital structure to meet its funding needs by issuing new equity shares and/or debt instruments, disposing assets or bringing in joint venture partners. To facilitate the management of its capital, the Company prepares annual budgets approved by the Board of Directors. The budget is reviewed and updated periodically to account for changes in the expenditures and economic conditions. The Company is not subject to any externally imposed capital requirements.

## 13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended November 30, 2019, the Company

a) recorded an addition of $467,826 to the exploration and evaluation assets which is resulted from a change of estimation in the asset retirement obligation.

b) recorded a reduction of $1,396,800 to the exploration and evaluation assets which is the fair value of the 17,460,000 shares received from Margaux pursuant to the option agreement (Note 5).

During the year ended November 30, 2018, the Company

a) recorded an addition of $526,962 to the exploration and evaluation assets which resulted from a change of estimation in the asset retirement obligation;

**(Expressed in Canadian dollars)**

## 14. INCOME TAXES

A reconciliation of income taxes at statutory rates (2019 – 27%; 2018 – 27%) with the reported taxes is as follows:

| | **Year ended November 30, 2019** | **Year ended November 30, 2018** |
|---|---|---|
| Loss for the year | $ (372,342) | $ (844,656) |
| Expected income tax recovery | $ (101,000) | $ (228,000) |
| Change in statutory rates and other | 1,000 | - |
| Non-deductible expenditures (non-taxable income) | (14,000) | 51,000 |
| Adjustment to prior years provision versus statutory tax returns | 24,000 | 6,000 |
| Impact of Cassiar Gold Corp. sale option agreement | (189,000) | - |
| Change in unrecognized deductible temporary differences | 279,000 | 171,000 |
| **Total income tax expenses (recovery)** | **$ -** | **$ -** |

Details of deferred tax assets are as follows:

| | **November 30, 2019** | **November 30, 2018** |
|---|---|---|
| Equipment | $ 574,000 | $ 364,000 |
| Resource deductions | 3,106,000 | 3,106,000 |
| Allowable capital losses | - | 137,000 |
| Asset retirement obligation | 759,000 | 616,000 |
| Share issue costs | 1,000 | 2,000 |
| Non-capital losses available for future periods | 7,106,000 | 7,042,000 |
| | 11,546,000 | 11,267,000 |
| Unrecognized tax benefits | (11,546,000) | (11,267,000) |
| Net deferred tax assets | **$ -** | **$ -** |

As of November 30, 2019, the Company has non-capital losses for Canadian Income tax purposes of approximately $26,138,000 (2018 - $26,082,000) which can be carried forward to reduce taxable income in future years. These tax losses expire at various times between years 2026 and 2039. In addition, the Company has resource deductions of $11,502,000 (2018 - $11,502,000) available to reduce taxable income of future years. The Company did not recognize deferred income tax assets because the Company has a history of losses as evidenced by its accumulated deficit.

## 15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Pursuant to a Letter of Intent dated October 2, 2019, the Company entered into a Share Purchase Agreement (the Agreement) with 1187395 BC Limited. (the "Vendor") on December 5, 2019.

The Vendor, a British Columbia corporation wholly-owned by Mr. Chaoyi Wang, legally and beneficially owns 9,900,000 common shares (the "Shares") of the 10,000,000 issued and outstanding common shares in the capital of Zijin Midas Nigeria Limited ("ZMNL"). Pursuant to the terms of the Agreement, the Company will purchase the Shares from the Vendor for cash consideration of US$96,000.

ZMNL holds ten Exploration Licenses (the "EL's") in Nigeria, three of the EL's pertain to niobium-tantalum ("Nb-Ta") exploration (each being a "Nb-Ta EL"), and the remaining seven EL's are for gold and lead-zinc exploration (each being a "Au-Pb EL"). The ten EL's cover a total area of 742 $km^2$.

The EL's are subject to a call option (the "Slight Edge Option") in favour of Slight Edge HK Limited ("Slight Edge"). Slight Edge's Nigerian subsidiary assisted ZMNL through the application process which lead to the issuance of the EL's. According to a call-option deed entered into between ZMNL and Slight Edge, Slight Edge has an option permitting it to obtain up to a 30% interest in the seven Au-Pb EL's and a 20% interest in the three Nb-Ta EL's. Slight Edge may exercise its Slight Edge Option before February 8, 2021 by reimbursing ZMNL for its respective percentage of costs and expenses incurred by ZMNL with respect to the EL's.