Consolidated Financial Statements

SILVER SPRUCE RESOURCES INC.

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

SILVER SPRUCE RESOURCES INC.
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Independent auditor's report

To the Shareholders of Silver Spruce Resources Inc.

Opinion

We have audited the consolidated financial statements of Silver Spruce Resources Inc. ("the Company"), which comprise the consolidated statements of financial position as at October 31, 2019, and the consolidated statements of operations and comprehensive loss, changes in equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Silver Spruce Resources Inc. as at October 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has several adverse conditions that cast significant doubt on the validity of the going concern assumption. As stated in Note 2, these conditions, along with other matters set forth in Note 2, 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 matter

The consolidated financial statements of the Company for the year ended October 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on February 5, 2019.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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.

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 International Financial Reporting Standards (IFRSs), 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 Group 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 Rodney D. Belliveau**.**

Grant Thornton LLP

Halifax, Canada
February 27, 2020

Chartered Professional Accountants

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Financial Position
As at October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Assets		
Current		
Cash	**156,219**	8,132
HST and other receivables	**31,188**	8,240
Prepaid expenses	**84,000**	34,000
Total current assets	**271,407**	50,372
Property and equipment (Note 8)	**-**	991,390
Total assets	**271,407**	1,041,762
Liabilities		
Current		
Trade payable and accrued liabilities (Note 14)	**549,563**	435,874
Property acquisition obligation (Note 7)	**32,855**	32,855
Loans payable (Note 13 and 14)	**87,473**	734,713
Total current liabilities	**669,891**	1,203,442
Shareholders' Equity (Deficiency)		
Share capital (Note 10)	**30,228,208**	29,842,866
Warrant reserve (Note 11)	**444,945**	420,684
Equity reserve	**8,696,106**	8,417,451
Accumulated deficit	**(39,767,743)**	(38,842,681)
Total shareholders' deficiency	**(398,484)**	(161,680)
Total liabilities and shareholders' equity (deficiency)	**271,407**	1,041,762

Basis of preparation and going concern (Note 2)
Commitments and contingencies (Notes 5, 7, 13 and 16)
Subsequent events (Note 7(c) and 17)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Kevin O'Connor, Director

Original signed by Brian Penney, Interim CFO, Director

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Operations and Comprehensive Loss
Years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Expenses		
Exploration and evaluation expenditures (Note 7 and 14)	**374,368**	29,918
Stock based compensation	**-**	1,629
Impairment of land (Note 8)	**-**	96,100
Office and general	**91,258**	68,845
Accounting and audit	**35,428**	37,500
Legal	**28,550**	5,215
Consulting fees (Note 14)	**217,914**	124,183
Corporate relations	**143,383**	139,407
Loan interest (Note 13 and 14)	**28,032**	82,561
Amortization (Note 8)	**-**	743
Accretion (Note 13)	**-**	86,304
Listing and filing fees	**25,766**	19,428
Total expenses	**944,699**	691,833
Gain on sale of property	**(29,954)**	-
Foreign exchange loss	**10,317**	7,468
Total other (gains) losses	**(19,637)**	7,468
Net loss and comprehensive loss for the year	**(925,062)**	(699,301)
Net loss per share - basic and diluted	**(0.01)**	(0.01)
Weighted average number of shares outstanding - basic and diluted	**81,217,550**	65,598,288

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Change in Shareholders' Equity (Deficiency)
Years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Number of shares	Share capital $	Warrant reserve $	Equity reserve $	Accumulated deficit $	Total equity (deficiency) $
Balance October 31, 2017	**62,807,992**	**29,716,911**	**594,551**	**8,099,926**	**(38,143,380)**	**268,008**
Net loss for the year	-	-	-	-	(699,301)	(699,301)
Private placement common shares issued	5,754,000	287,700	-	-	-	287,700
Share issuance costs	-	(19,716)	-	-	-	(19,716)
Value of warrants issued under private placement	-	(142,029)	142,029	-	-	-
Stock based compensation	-	-	-	1,629	-	1,629
Warrants expired	-	-	(315,896)	315,896	-	-
Balance October 31, 2018	**68,561,992**	**29,842,866**	**420,684**	**8,417,451**	**(38,842,681)**	**(161,680)**
Net loss for the year	-	-	-	-	(925,062)	(925,062)
Private placement common shares issued	22,593,841	695,471	-	-	-	695,471
Share issuance costs	-	(7,213)	-	-	-	(7,213)
Value of warrants issued under private placement	-	(302,916)	302,916	-	-	-
Warrants expired	-	-	(278,655)	278,655	-	-
Balance October 31, 2019	**91,155,833**	**30,228,208**	**444,945**	**8,696,106**	**(39,767,743)**	**(398,484)**

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Cash Flows
Years ended October 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Operating activities		
Net loss for the year	**(925,062)**	(699,301)
Items not involving cash:		
Loss on foreign exchange	**2,251**	1,065
Gain on sale of property	**(29,954)**	-
Amortization	**-**	743
Impairment of land	**-**	96,100
Accrued interest	**1,750**	1,752
Accretion	**-**	86,304
Loan interest settled on sale of property (Note 7(b))	**42,245**	-
Stock based compensation	**-**	1,629
	(908,770)	(511,708)
Changes in non-cash working capital		
(Increase) decrease in prepaid expenses	**(50,000)**	68,597
(Increase) decrease in HST and other receivables	**(22,948)**	605
Increase in trade payables and accrued liabilities	**113,689**	89,976
Increase in property acquisition obligation	**-**	622
Change in non-cash operating working capital	**40,741**	159,800
Net cash flows used in operating activities	**(868,029)**	(351,908)
Financing activities		
Proceeds from issuance of shares	**695,471**	287,700
Share issue costs	**(7,213)**	(19,716)
Repayment of loan payable	**(81,034)**	(5,800)
Proceeds from loan payable	**23,434**	58,900
Net cash flows from financing activities	**630,658**	321,084
Investing activities		
Proceeds from sale of property	**385,458**	-
Net cash flows from investing activities	**385,458**	-
Increase (decrease) in cash	**148,087**	(30,824)
Cash, beginning of year	**8,132**	38,956
Cash, end of year	**156,219**	8,132

Supplemental cash flow information (See Note 15)

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Silver Spruce Resources Inc. (the "Company") is a public company domiciled in Canada and was incorporated in Alberta on May 8, 1996 under the name First Labrador Acquisitions Inc. The Company changed its name to Silver Spruce Resources Inc. on October 22, 2004. The Company's operations consist of the exploration for precious and base minerals. The registered office of the Company is Suite 802, 1550 Bedford Highway, Bedford, Nova Scotia, B4A 1E6.

2. BASIS OF PREPARATION AND GOING CONCERN

Statement of compliance

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee. The Company's board of directors approved these financial statements on February 27, 2020.

Basis of presentation

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Several adverse conditions, however, cast significant doubt on the validity of this assumption. The Company does not have any proven economically recoverable reserves on the Company's interest in mineral properties held for exploration and to date; the Company has earned no direct mining related revenues. The Company's assets are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company's continued existence is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, or future profitable production. It is not possible to predict whether financing efforts will be successful.

Although the Company has taken steps to verify title to mineral exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers, First Nations claims, non-compliance with regulatory, social and environmental requirements and may be affected by undetected defects.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions such as ongoing operational losses and a need for working capital cast significant doubt on the validity of this assumption.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Basis of presentation (continued)

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. The Company had continuing losses during the year ended October 31, 2019, a significant working capital deficiency and a cumulative deficit as at October 31, 2019. These conditions indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, First Labrador Resources Ltd., Silver Spruce Resources (Nova Scotia) Inc., Silver Spruce Resources Mexico S.A. de C.V., and Silver Spruce Resources LLC. Both First Labrador Resources Ltd. and Silver Spruce Resources (Nova Scotia) Inc. are inactive and have no assets or liabilities. All inter-company transactions have been eliminated upon consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity.

Exploration and evaluation costs

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity net of government assistance received. Exploration and evaluation expenditures are expensed as incurred.

Property and equipment

Property and equipment is recorded at cost. Amortization is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets. Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized.

The rates applicable to each category of equipment is based on the estimated useful life and expected pattern usage for the assets and is as follows:

Class of equipment	Depreciation rate
Equipment	20%
Vehicles	30%

Land is not subject to depreciation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

The Company's non-financial assets are reviewed for an indication of impairment at each statement of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the (1) asset's fair value less costs to sell and (2) value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees and each tranche is recognized on a graded vesting basis over the period in which the options vest. The fair value of options is determined using pricing models and is charged to earnings over the vesting period with an offset to equity reserve, on a straight-line basis over the vesting period. When options are exercised, the corresponding share based payment reserves and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The value associated with share-based payments is transferred, upon expiry, to equity reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax expenses comprise the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle current tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously. A deferred tax asset is recognized for unused tax losses, unused tax credits and temporary differences that can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

Loss per share

The Company presents basic and diluted loss per share (LPS) data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Decommissioning and restoration provision

The Company recognizes the fair value of the liability for asset decommissioning and restoration in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows associated with legal obligations or constructive obligations relating to the reclamation and closure of its mineral exploration properties at a pre-tax rate that reflects the time value of money. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows to settle the obligation. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning and restoration provision (continued)

The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties. In management's estimation, there is no material restoration, rehabilitation, and environmental obligation as at October 31, 2019 and 2018.

Financial instruments

Accounting policy under IFRS 9 applicable from November 1, 2018

Financial assets and liabilities

Effective November 1, 2018, the Company adopted IFRS 9, Financial Instruments with respect to financial assets and financial liabilities.

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either Fair Value through Profit or Loss ("FVPL") or Fair Value through Other Comprehensive Income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost unless required to be separated. Cash and other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations and comprehensive loss.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss. The Company does not have any financial assets at FVPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due.

An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payables, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement – Financial liabilities at FVPL
Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in the consolidated statements of operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations and comprehensive loss.

Accounting policy under IAS 39 applicable prior to November 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, was as follows:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
HST and other receivables	Loans and receivables	Amortized cost
Financial liabilities		
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Property acquisition obligation	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

The adoption of IFRS 9 did not result in any changes to the measurement of the Company's financial assets or liabilities.

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the transaction date except for amortization, which is translated at historical exchange rates. Gains and losses on translation are included in the statement of operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, third party advice and financial reporting requirements. However, actual outcomes can differ from these estimates.

The Company has identified the following areas under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Share-based payments

The Company makes certain estimates and assumptions when calculating fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life, forfeiture rates and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

4. ACCOUNTING CHANGES

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after November 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

4. ACCOUNTING CHANGES (continued)

Recent accounting pronouncements (continued)

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after November 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") - In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS 16.

The Company is currently evaluating the impact of the above standards on its financial performance and financial statement disclosures and expects that such impact, if any, would not be material.

4. ACCOUNTING CHANGES (continued)

Changes in accounting policies

IFRS 9, *Financial Instruments*

Effective November 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at November 1, 2018. There were no material effects on opening balances at November 1, 2018 with respect to the adoption of these policies.

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

Upon adoption of IFRS 9, the two main changes in the Company's accounting policy on financial instruments are: i) equity investments previously classified as available-for-sale are now classified as financial assets measured at FVOCI and ii) derivative instruments previously held for trading now qualify for hedge accounting to the extent they comply with the IFRS 9 criteria for hedge accounting.

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended October 31, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

5. CAPITAL MANAGEMENT

The capital structure of the Company currently consists of share capital, warrant reserve and equity reserve. The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of mineral properties. The Company manages its capital structure in a manner that provides sufficient funding for operational activities.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

5. CAPITAL MANAGEMENT (continued)

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended October 31, 2019 and 2018.

6. FINANCIAL RISK FACTORS

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

a) Credit risk

The Company's credit risk is primarily attributable to cash and other receivables. The Company's cash is held with highly rated financial institutions.

The Company has concluded that credit risk with regards to other receivables is minimal.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 5. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

As at October 31, 2019, the Company had a cash balance of $156,219 (2018 - $8,132) to settle current liabilities of $669,891 (2018 - $1,203,442). Of the Company's current financial liabilities, $637,036 (2018 - $1,170,587) have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market risk

Interest rate risk

The Company's loans payable bear a fixed interest rate and therefore are not subject to interest rate risk. The Company invests any cash surplus to its operational needs in investment-grade short-term deposit certificates issued by highly rated Canadian banks. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank.

6. FINANCIAL RISK FACTORS (continued)

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company's property acquisition obligation (Note 7) is denominated in United States Dollars ("US$") and is subject to fluctuations in that currency's value relative to the Canadian dollar.

There were no significant changes to credit risk, liquidity risk and market risk during the years ended October 31, 2019 and 2018.

d) Fair value

The carrying amounts for cash, amounts receivables, trade payable and accrued liabilities, loans payable, and property acquisition obligation on the statements of financial position approximate fair value due to their short-term maturity.

7. MINERAL EXPLORATION PROPERTIES

a) Pino de Plata, Mexico

On February 29, 2016, the Company signed an amended agreement that supersedes the original purchase agreement and enables the Company to purchase a 100% interest in the Pino de Plata property. The revised financial terms are as follows:

- Total cash payments reduced to US$500,000 over two years (US$125,000 ($168,459) paid);
- One share issuance of 2,500,000 common shares, issued on June 15, 2016 and valued at $0.07 per common share based on the quoted market value of the common shares on that date. One payment of $250,000 to be paid in common shares in lieu of cash, at a share price equal to the 20-day average closing price of the Company's shares on the TSXV, subject to exchange approvals;
- A three percent (3%) gross production royalty capped at US$4 million, which can be purchased for US$1,333,333 per percentage point at any time and are reduced by the total amount of advanced royalty payments; and
- The Company is subject to advanced Royalty payments of US$10,000 per month to commence 30 days after the acquisition is finalized, registered and documented with the proper authorities.

As a result of a delay in being able to access the property, an addendum to the purchase agreement was made during 2017 to suspend the terms of the agreement until access is gained to the property. The ongoing interest in the property is subject to satisfactory resolution of the access restriction.

7. MINERAL EXPLORATION PROPERTIES (continued)

The present value of the Company's minimum commitment as at October 31, 2019 has been recorded as property acquisition obligation on the statement of financial position in the amount of $32,855 (US$25,000) (2018 - $32,855 (US$25,000)). During 2018, the Company entered into a marketing and sales offtake agreement related to any and all production from the Pino de Plata property. The agreement was subject to the Company commencing production. The marketing and sales agent will earn a 3% commission.

b) Kay Mine, Arizona, United States of America

On July 19, 2017, the Company closed a purchase agreement with Cedar Forest LLC for 100%, free of any royalty, of the Kay mine parcel of patented claims near Black Canyon City, Arizona. The Company issued 8,649,147 common shares based on the quoted market value of the common shares on that date, and paid the balance of the purchase price $566,775 (US$500,000) in cash. To finance a portion of the transaction the Company secured a loan. See Note 13.

The Company allocated the value paid, totaling $1,111,248, between the underlying value of the land, and an incremental value related to potential exploration value. The value of the land of $1,087,490 was estimated based on comparable land values in the area. The residual value was expensed as an exploration expense in accordance with the Company's policy for exploration and evaluation expenditures. As at October 31, 2018, the Company recorded an impairment loss on the land in the amount of $96,100 based on the valuation derived from the Acquisition Agreement dated November 15, 2018.

On January 30, 2019 the Company completed the sale of the Kay Mine project to a private company that intends to go public on a Canadian stock exchange. The purchaser has assumed the $566,775 (US$450,000) debt provided to the Company to satisfy its original purchase of the patented claims at the project, along with $41,555 (US$31,500) accrued interest, and has received $35,458 (US$27,732) cash after the Company's portion of the closing costs were applied. Within six months of closing, and the announcement by the purchaser of a public listing, the Company will receive $100,000 cash payment and $250,000 worth of the purchaser's shares upon its listing on a public stock exchange. The Company has the option to elect a cash payment in lieu of shares if the purchaser's shares are not listed on a public stock exchange within six months of signing the agreement.

During the year ended October 31, 2019, the Company received total payments of $350,000 from the acquirer which concludes the Company's sale of the Kay mine project.

c) Cocula, Mexico

In July 2019, the Company signed a binding letter of agreement with Prospeccion y Desarrollo Minero del Norte SA de CV (ProDeMin) to assume ProDeMin's option agreement to acquire 100% of the Cocula project, an advanced gold project in the Ameca mining district of Jalisco state, Mexico.

As of November 30, 2019, the Company has terminated the letter of agreement.

(Expressed in Canadian dollars)

8. PROPERTY AND EQUIPMENT

	Land	Equipment	Computers	Total
Cost:	$	$	$	$
At October 31, 2018	991,390	7,204	1,483	1,000,077
Additions	-	-	-	-
Disposals (Note 7b)	991,390	-	-	991,390
At October 31, 2019	-	7,204	1,483	8,687
Amortization:				
At October 31, 2018	-	7,204	1,483	8,687
Additions	-	-	-	-
Disposals/Write-offs	-	-	-	-
At October 31, 2019	-	7,204	1,483	8,687
Carrying Value:				
At October 31, 2018	991,390	-	-	991,390
At October 31, 2019	**-**	**-**	**-**	**-**

	Land	Equipment	Computers	Total
Cost:	$	$	$	$
At October 31, 2017	1,087,490	7,204	1,483	1,096,177
Disposals/Impairment (Note 7b)	96,100	-	-	96,100
At October 31, 2018	991,390	7,204	1,483	1,000,077
Amortization:				
At October 31, 2017	-	6,461	1,483	7,944
Additions	-	743	-	743
Disposals/Write-offs	-	-	-	-
At October 31, 2018	-	7,204	1,483	8,687
Carrying Value:				
At October 31, 2017	1,087,490	743	-	1,088,233
At October 31, 2018	**991,390**	**-**	**-**	**991,390**

(Expressed in Canadian dollars)

9. INCOME TAXES

a) Reconciliation of total tax expense

The effective rate on the Company's loss before income tax differs from the expected amount that would arise using the combined statutory income tax rates. A reconciliation of the difference is as follows:

	2019	2018
	$	$
Net loss before income taxes	**(925,062)**	(699,301)
Income tax rate	**31.00%**	29.23%
Expected income tax recovery	**(287,000)**	(204,000)
Non-deductible amounts for income tax purposes	**(18,000)**	25,000
Other	**305,000**	179,000
Income tax recovery	**-**	-

b) Unrecognized deductible temporary differences and unused tax losses

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2019	2018
	$	$
Property and equipment	**36,000**	182,000
Non-capital losses	**2,277,000**	1,890,000
Mineral exploration properties	**3,487,000**	3,253,000
Share issue costs	**8,000**	12,000
	5,808,000	5,337,000

(Expressed in Canadian dollars)

9. INCOME TAXES (continued)

The Company has non-capital losses amounting to $7,094,000, which are available to reduce future taxable income. These non-capital losses expire as follows:

	$
2027	255,000
2028	278,000
2029	525,000
2030	340,000
2031	127,000
2034	157,000
2035	2,221,000
2036	955,000
2037	1,076,000
2038	570,000
2039	590,000
	7,094,000

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

10. SHARE CAPITAL

The share capital is as follows:

	2019	2018
	$	$
Authorized:		
An unlimited number of non-voting preference shares		
An unlimited number of common shares, no par value		
Issued and outstanding:		
91,155,833 (October 31, 2018 - 68,561,992)	**30,228,208**	29,842,866

a) In May 2018, the Company closed a non-brokered private placement to raise gross proceeds of $287,700. The offering consisted of the issuance of 5,754,000 units (“Unit”) of the Company. Each Unit was offered at a price of $0.05 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.06 per common share if exercised within 60 months of the closing of the offering. Officers and directors of the Company subscribed for 1,700,000 Units for gross proceeds of $85,000. Of the gross proceeds of $287,700, a total of $142,029 was assigned to the warrants was estimated using the Black Scholes option pricing model and $145,671 was allocated to share capital.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

b) In February 2019, the Company closed a non-brokered private placement to raise gross proceeds of $434,221. The offering consisted of the issuance of 17,368,841 units ("Unit") of the Company. Each Unit was offered at a price of $0.025 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.05 per common share if exercised within 36 months of the closing of the offering. Officers and directors of the Company subscribed for 12,213,840 Units for gross proceeds of $305,346. Of the gross proceeds of $434,221, a total of $188,436 was assigned to the warrants was estimated using the Black Scholes option pricing model and $245,785 was allocated to share capital.

c) In August 2019, the Company closed a non-brokered private placement to raise gross proceeds of $261,250. The offering consisted of the issuance of 5,225,000 units ("Unit") of the Company. Each Unit was offered at a price of $0.05 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.075 per common share if exercised within 24 months of the closing of the offering. Officers and directors of the Company subscribed for 800,000 Units for gross proceeds of $40,000. Of the gross proceeds of $261,250, a total of $114,480 was assigned to the warrants was estimated using the Black Scholes option pricing model and $146,770 was allocated to share capital.

11. WARRANTS

The following is a summary of warrants activity for the years ended October 31, 2019 and October 31, 2018:

	2019		2018	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**16,551,250**	**0.09**	21,993,651	0.09
Granted in connection with private placements	**22,593,841**	**0.06**	5,754,000	0.06
Expired during the year	**(10,797,250)**	**0.10**	(11,196,401)	0.10
Balance, end of year	**28,347,841**	**0.08**	16,551,250	0.09

a) In connection with the May 7, 2018 private placement disclosed in Note 10, the Company issued 5,754,000 warrants. The grant date fair value of $142,029 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 223%, a risk free interest rate of 2.14%, and an expected life of 5 years.

b) In connection with the February 26, 2019 private placement disclosed in Note 10, the Company issued 17,368,841 warrants. The grant date fair value of $188,436 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 150%, a risk free interest rate of 1.76%, and an expected life of 3 years.

(Expressed in Canadian dollars)

11. WARRANTS (continued)

c) In connection with the August 29, 2019 private placement disclosed in Note 10, the Company issued 5,225,000 warrants. The grant date fair value of $114,480 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 190%, a risk free interest rate of 1.34%, and an expected life of 2 years.

Summary of warrants outstanding as at October 31, 2019:

Warrants	Exercise price	Grant date fair value of warrants	Expiry date
#	$	$	
5,225,000	0.075	114,480	August 29, 2021
5,754,000	0.06	142,029	May 7, 2023
17,368,841	0.05	188,436	February 26, 2022
28,347,841		444,945	

12. SHARE BASED PAYMENTS

The Board of Directors of the Company has adopted a stock option plan for the Company. Pursuant to the plan, the Board of Directors of the Company may allocate common shares to its directors, officers and certain consultants. The aggregate number of stock options to be granted under the plan should not exceed 20% of the issued and outstanding capital of the Company and the aggregate number of shares reserved for issuance to anyone person shall not exceed 5% of the issued and outstanding common shares. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The vesting period for options is set by the Company at the time the options are granted. The shareholders of the Company are covered by a Shareholder Rights Plan Agreement between the Company and CIBC Mellon Trust Company.

Share based payment activity for the years ended October 31, 2019 and October 31, 2018 is summarized as follows:

	2019		2018	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**3,800,000**	**0.14**	3,800,000	0.14
Granted	**-**	**-**	-	-
Expired	**(3,200,000)**	**0.15**	-	-
Balance, end of year	**600,000**	**0.15**	3,800,000	0.14

(Expressed in Canadian dollars)

12. SHARE BASED PAYMENTS (continued)

At October 31, 2019, outstanding options to acquire common shares of the Company were as follows:

Exercise price	Number of outstanding options	Weighted average remaining contractual life of outstanding options (years)	Grant date weighted average fair value per option	Number of exercisable options
$			$	
0.15	300,000	0.14	0.072	300,000
0.15	300,000	0.68	0.044	300,000
	600,000	0.41	0.058	600,000

13. LOANS PAYABLE

On June 19, 2017, the Company obtained a 12-month, US$450,000 loan at a 12% coupon rate. The Company also issued 1,735,779 fully paid bonus shares and a commission of 500,000 shares valued at $0.055 per common share based on the quoted market value of the shares at the time of issue to the lender.

The value of the bonus shares and commission shares is amortized over the term of the loan using the effective interest method using an effective interest rate of 39%. The Company accretes the carrying value of the loan each quarter by recognizing an accretion expense in the statement of loss and comprehensive loss and a credit to loans payable. For the year ended October 31, 2019, $nil (2018 - $86,304) of accretion expense from the debt discount was recorded by the Company.

On January 30, 2019 the loan was settled in consideration for the sale of the Kay Mine property. See Note 7 for further details on the transaction.

The following table summarizes the loans payable for the year ended October 31, 2019 and October 31, 2018:

	Principal	As at October 31, 2018	New Loans	Interest	Repayments	Accretion	Foreign Exchange Change	As at October 31, 2019
Loan payable - Kay Mine property	-	$ 591,390	$ -	$ 17,919	$ (593,641)	$ -	$ (15,668)	$ -
Loan payable - former director	65,000	81,723	-	1,750	-	-	-	83,473
Loan payable - current directors	-	45,600	23,434	8,363	(77,397)	-	-	-
Loan payable - others	4,000	16,000	-	-	(12,000)	-	-	4,000
Total loans payable outstanding		$ 734,713	$ 23,434	$ 28,032	$ (683,038)	$ -	$ (15,668)	$ 87,473

	Principal	As at October 31, 2017	New Loans	Interest	Repayments	Accretion	Foreign Exchange Change	As at October 31, 2018
Loan payable - Kay Mine property	US$450,000	$ 504,019	$ -	$ 70,670	$ (70,670)	$ 86,304	$ 1,067	$ 591,390
Loan payable - former director	65,000	79,973	-	1,750	-	-	-	81,723
Loan payable - current directors	45,600	2,500	48,900	1,472	(7,272)	-	-	45,600
Loan payable - others	16,000	6,000	10,000	-	-	-	-	16,000
Total loans payable outstanding		$ 592,492	$ 58,900	$ 73,892	$ (77,942)	$ 86,304	$ 1,067	$ 734,713

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at October 31, 2019 is $325,207 (2018 - $267,319) owing to directors and companies controlled by directors of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

As at October 31, 2019, the total loans payable to a former director is $83,473 (2018 - $81,723). The loans are unsecured and bear interest at rates from 0% - 5% per year with no fixed terms of repayment. During the year ended October 31, 2019, the loans incurred interest expense of $1,750 (2018 - $1,750) which is outstanding at period end and is due on demand.

During the year ended October 31, 2019, key management personnel compensation consisted of services provided by companies owned by directors of $122,997 (2018 - $34,625), which are classified as consulting fees and exploration and evaluation expenditures on the consolidated statement of operations.

See also Notes 10 (a), (b), and (c).

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2019	2018
	$	$
Non-cash investing and financing activities:		
Shares to be issued for property obligation	**85,000**	-
Expiry of warrants	**278,655**	315,896

16. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

See Note 7 for other property commitments.

17. SUBSEQUENT EVENTS

i. On January 6, 2020, the Company closed the first tranche of a non-brokered private placement raising gross proceeds of $237,500 (the "Offering"). The Offering consisted of 4,750,000 units offered at $0.05 per unit consisting of one common share in the capital of the Company and one share purchase warrant. Each full warrant entitles the holder to purchase an additional common share of the Company for $0.075 at any time prior to the expiry date of January 6, 2022.

17. SUBSEQUENT EVENTS (continued)

ii. On December 31, 2019, the Company closed a non-brokered private placement of flow-through units raising gross proceeds of $15,000 (the “Offering”). The Offering consisted of 300,000 units offered at $0.05 per unit consisting of one common share in the capital of the Company and one share purchase warrant. Each full warrant entitles the holder to purchase an additional common share of the Company for $0.075 at any time prior to the expiry date of December 31, 2020.

iii. On November 20, 2019, the Company finalized a purchase agreement to acquire 100% of Melchett Lake, a VMS property. The principal terms include $150,000 in cash payments and 5,000,000 common shares of the Company, spread over three years. The initial payment to the vendor of $25,000 and 500,000 shares is due upon signing and TSX Venture Exchange approval. Minimum work expenditures total $1,000,000, with $100,000 during the first year, $200,000 in the second year and $700,000 prior to the third anniversary. The vendor will retain a 2% net smelter return royalty, of which 1% can be purchased by the company for $1,000,000 and the remaining 1% at market price.

iv. On November 29, 2019 the Company terminated the letter of agreement to acquire the Cocula project (Note 7c). Under the terms of the letter of agreement, the Company is required to issue 1,700,000 common shares to the vendors.