HUNTSMAN EXPLORATION INC.

(FORMERLY BLUEBIRD BATTERY METALS INC.)

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Huntsman Exploration Inc. (formerly BlueBird Battery Metals Inc.)

Opinion

We have audited the consolidated financial statements of Huntsman Exploration Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above 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 on this other information, 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 as issued by the International Accounting Standards Board, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Michael Ryan Ayre.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
December 11, 2020

HUNTSMAN EXPLORATION INC.
(formerly BlueBird Battery Metals Inc.)
Consolidated Statements of Financial Position
As at August 31,
(Expressed in Canadian Dollars)

		2020		2019
ASSETS				
Current				
Cash	$	42,653	$	18,507
Amounts receivable		16,028		4,161
Prepaid expenses		25,220		11,816
		83,901		34,484
Exploration and evaluation assets (Notes 6 and 8)		2,730,830		2,570,832
	$	**2,814,731**	**$**	**2,605,316**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 8)	$	1,018,880	$	856,008
Loans payable (Notes 7 and 8)		262,300		125,000
		1,281,180		981,008
Shareholders' Equity				
Share capital (Note 9)		13,661,609		12,735,699
Share subscriptions received (Note 14 (b))		25,000		-
Contributed surplus (Note 9)		1,810,168		1,713,867
Deficit		(13,980,595)		(12,786,598)
Accumulated other comprehensive income (loss)		17,369		(38,660)
		1,533,551		1,624,308
	$	**2,814,731**	**$**	**2,605,316**

Going Concern (Note 2)
Commitments (Note 6)
Subsequent Events (Note 14)

Authorized for issuance on behalf of the Board on December 11, 2020:

"Nathan Tribble" Director

"Jeremy Ross" Director

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

HUNTSMAN EXPLORATION INC.
(formerly BlueBird Battery Metals Inc.)
Consolidated Statements of Comprehensive Loss
For the Years Ended August 31,
(Expressed in Canadian Dollars)

	2020	2019
Expenses		
Consulting fees (Note 8)	$ 179,487	$ 465,836
General exploration costs	11,319	-
Management fees (Note 8)	90,000	215,000
Office and general (Note 8)	29,613	51,715
Professional fees	154,351	136,914
Rent (Note 8)	36,000	33,000
Share-based payments (Notes 8 and 9)	96,301	552,862
Shareholder communications and investor relations	117,255	167,909
Transfer agent and filing fees	33,078	20,512
Travel	1,402	66,678
Loss Before Other Items	(748,806)	(1,710,426)
Other Items		
Impairment of exploration and evaluation assets (Note 6)	(175,000)	(1,439,536)
Loss on sale of exploration and evaluation assets (Note 6)	(270,191)	-
	(445,191)	(1,439,536)
Net Loss for the Year	(1,193,997)	(3,149,962)
Other Comprehensive Income (Loss)		
Item that may be reclassified subsequently to income or loss:		
Exchange difference on translating foreign operations	56,029	(41,033)
Comprehensive Loss for the Year	$ (1,137,968)	$ (3,190,995)
Loss per Share – Basic and Diluted	$ (0.04)	$ (0.13)
Weighted Average Number of Common Shares Outstanding	29,182,549	23,938,584

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

HUNTSMAN EXPLORATION INC.
(formerly BlueBird Battery Metals Inc.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital						
	Number of Shares	Share Capital	Obligation to Issue Shares	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, August 31, 2018	**21,251,022**	**$ 10,781,930**	**$ -**	**$ 1,268,708**	**$ (9,636,636)**	**$ 2,373**	**$ 2,416,375**
Shares issued for exploration and evaluation assets	1,754,315	1,067,719	-	-	-	-	1,067,719
Warrants exercised	1,993,850	678,163	-	(19,816)	-	-	658,347
Stock options exercised	300,000	207,887	-	(87,887)	-	-	120,000
Stock options granted	-	-	-	552,862	-	-	552,862
Net loss for the year	-	-	-	-	(3,149,962)	-	(3,149,962)
Exchange difference on translating foreign operations	-	-	-	-	-	(41,033)	(41,033)
Balance, August 31, 2019	**25,299,187**	**12,735,699**	**-**	**1,713,867**	**(12,786,598)**	**(38,660)**	**1,624,308**
Private placements	5,745,454	582,000	-	-	-	-	582,000
Share issuance costs	-	(4,410)	-	-	-	-	(4,410)
Shares issued for exploration and evaluation assets	2,187,499	306,250	-	-	-	-	306,250
Obligation to issue shares	-	-	25,000	-	-	-	25,000
Warrants exercised	300,500	42,070	-	-	-	-	42,070
Stock options granted	-	-	-	96,301	-	-	96,301
Net loss for the year	-	-	-	-	(1,193,997)	-	(1,193,997)
Exchange difference on translating foreign operations	-	-	-	-	-	56,029	56,029
Balance, August 31, 2020	**33,532,640**	**$ 13,661,609**	**$ 25,000**	**$ 1,810,168**	**$ (13,980,595)**	**$ 17,369**	**$ 1,533,551**

HUNTSMAN EXPLORATION INC.
(formerly BlueBird Battery Metals Inc.)
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Operating Activities		
Net loss for the year	$ (1,193,997)	$ (3,149,962)
Items not involving cash:		
Share-based payments	96,301	552,862
Impairment of exploration and evaluation assets	175,000	1,439,536
Loss on sale of exploration and evaluation assets	270,191	-
Changes in non-cash working capital balances:		
Amounts receivable	(11,867)	77,684
Prepaid expenses	(13,404)	67,720
Accounts payable and accrued liabilities	228,547	496,127
Cash Used in Operating Activities	(449,229)	(516,033)
Investing Activities		
Exploration and evaluation asset expenditures, net	(358,585)	(629,643)
Proceeds from sale of exploration and evaluation assets	50,000	-
Cash Used in Investing Activities	(308,585)	(629,643)
Financing Activities		
Shares issued for cash	582,000	778,347
Share issuance costs	(4,410)	-
Shares issued for warrant exercise	42,070	-
Share subscriptions received	25,000	-
Proceeds from loans payable	168,300	125,000
Repayments of loans payable	(31,000)	-
Cash Provided by Financing Activities	781,960	903,347
Change in Cash	24,146	(242,329)
Cash, Beginning of Year	18,507	260,836
Cash, End of Year	$ 42,653	$ 18,507
Non-cash Transactions and Supplemental Disclosures		
Shares issued for exploration and evaluation assets (Notes 6 and 9)	$ 306,250	$ 1,067,719
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities (opening)	$ 202,458	$ 318,538
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities (closing)	$ 145,407	$ 202,458
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

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

1. NATURE OF OPERATIONS

Huntsman Exploration Inc. (formerly BlueBird Battery Metals Inc.) (the "Company") is an exploration stage company incorporated pursuant to the British Columbia *Business Corporations Act* on March 31, 2011. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired. The Company changed its name from BlueBird Battery Metals Inc. to Huntsman Exploration Inc. on September 17, 2020. The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "HMAN" and on the US OTC Markets under the symbol "BBBMF". The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

On September 17, 2020, the Company consolidated its common shares on the basis of one new share for two old shares. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

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

The Company has incurred a net loss of $1,193,997 for the year ended August 31, 2020 (2019 - $3,149,962) and has an accumulated deficit of $13,980,595 at August 31, 2020. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

In early March 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

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

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on December 11, 2020.

3. BASIS OF PREPARATION (Continued)

b) Measurement basis

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value. These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, BlueBird Battery Metals Australia Pty. Ltd., which was incorporated in Australia on April 10, 2018. Intercompany balances and transactions are eliminated in preparation of the Company's consolidated financial statements.

d) Foreign currency translation

The functional currency of the Company is the Canadian dollar. The functional currency of the Company's Australian subsidiary is the Australian dollar, which is determined to be the currency of the primary economic environment in which the subsidiary operates.

Transactions in currencies other than the functional currency are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items are measured at historical cost in a functional currency and are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Deferred financing costs

Professional, consulting and regulatory fees, as well as other costs directly attributable to financing transactions, are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

b) Exploration and evaluation assets

All expenditures related to the cost of exploration and evaluation of mineral resources, including acquisition costs for interests in mineral claims, are capitalized as exploration and evaluation assets and are classified as intangible assets. General exploration costs not related to specific mineral properties and costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, capitalized costs of the related property are reclassified as mining assets and, upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Impairment is assessed at the level of cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the following factors is present; the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full by development or sale.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves and the profitability of future operations. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. Amounts capitalized to exploration and evaluation costs do not necessarily reflect present or future values.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company, and accordingly, are recorded on a cash basis.

c) Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the assets impaired. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Impairment (continued)

Non-financial assets

Exploration and evaluation assets are reviewed at each reporting date for impairment or whenever events or changes in circumstances indicate that the carrying amount of the properties exceeds its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

As at August 31, 2020, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties, and accordingly, no provision has been recorded for such site reclamation or abandonment.

e) Flow-through shares

Exploration expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with the Government of Canada flow-through regulations. At the time flow-through shares are issued, there may be a potential premium paid on the flow-through shares calculated based on the difference between the share issuance price and the market price at the time of closing. A liability is recognized for the premium on the flow-through shares and is subsequently reversed and recorded as other income or deferred tax expense as the Company incurs qualifying Canadian exploration expenses. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a deferred income tax recovery in operations in the period of renunciation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Flow-through shares (continued)

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under certain rules, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense.

f) Share-based payments

The Company has an equity-settled share-based compensation plan. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. 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 contributed surplus.

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.

g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. The weighted average number of common shares outstanding is adjusted retrospectively for changes in capitalization, such as share splits, reverse splits or cancellations of common shares.

h) Income taxes

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby 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 be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is not recognized for temporary differences that arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Income taxes (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 the related tax benefit will be realized.

i) Financial instruments

Classification of financial assets is established by management at the initial recognition of financial assets based on the purpose for which these financial assets were acquired. Financial instruments are originally recorded at fair value when the Company becomes a party to contractual provision of these instruments.

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

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

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

Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in net income (loss) for the period. Financial assets and liabilities classified at amortized cost and are measured at amortized cost using the effective interest method. Fair value changes in financial instruments classified as FVTOCI are recognized in other comprehensive income. Cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to deficit.

Fair value hierarchy

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) New accounting standard adopted during the year

IFRS 16 Leases

Initial adoption

On September 1, 2019, the Company adopted IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, International Accounting Standard ("IAS") 17 *Leases*. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

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

Ongoing recognition and measurement

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

k) New accounting standards issued but not yet effective

IFRS 3 Business Combinations

IFRS 3 has been amended to revise the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment to IFRS 3 is effective for years beginning on or after January 1, 2020. The amendment to IFRS 3 is expected to have no impact for the Company.

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical judgments in applying accounting policies

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

a) Impairment of exploration and evaluation assets

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

b) Title to mineral property interests

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

c) Income taxes

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Critical judgments in applying accounting policies (continued)

d) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the consolidated financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at August 31, 2020, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

b) Fair value of stock options granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the period. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

	Baxter Spring	Canegrass Property	Ashburton Property	Atikwa Lake / Maybrun Properties	Batt Property	Total
Acquisition Costs						
Balance, August 31, 2018	**$ -**	**$ 995,707**	**$ 25,000**	**$ 710,284**	**$ 92,500**	**$ 1,823,491**
Acquisition and option payments (shares)	-	553,125	514,594	-	-	1,067,719
Claim costs	-	-	85,474	1,209	-	86,683
Impairment	-	-	(625,068)	(640,000)	(92,500)	(1,357,568)
Balance, August 31, 2019	**-**	**1,548,832**	**-**	**71,493**	**-**	**1,620,325**
Acquisition and option payments (shares)	-	131,250	175,000	-	-	306,250
Claim costs	34,071	-	-	-	-	34,071
Impairment	-	-	(175,000)	-	-	(175,000)
Sale of exploration and evaluation assets	-	-	-	(71,493)	-	(71,493)
Balance, August 31, 2020	**$ 34,071**	**$ 1,680,082**	**$ -**	**$ -**	**$ -**	**$ 1,714,153**
Deferred Exploration Expenditures						
Balance, August 31, 2018	**$ -**	**$ 274,893**	**$ 8,020**	**$ 258,768**	**$ 48,629**	**$ 590,310**
Camp and other (recovery)	-	151	-	(2,970)	-	(2,819)
Drilling	-	243,531	-	-	-	243,531
Geological (recovery)	-	75,060	3,050	(6,100)	21,657	93,667
Geophysics	-	118,382	-	-	-	118,382
Impairment	-	-	(10,682)	(1,000)	(70,286)	(81,968)
Currency translation difference	-	(10,208)	(388)	-	-	(10,596)
Balance, August 31, 2019	**-**	**701,809**	**-**	**248,698**	**-**	**950,507**
Drilling	-	7,275	-	-	-	7,275
Geological	-	260,187	-	-	-	260,187
Sale of exploration and evaluation assets	-	-	-	(248,698)	-	(248,698)
Currency translation difference	-	47,406	-	-	-	47,406
Balance, August 31, 2020	**$ -**	**$ 1,016,677**	**$ -**	**$ -**	**$ -**	**$ 1,016,677**
Total Exploration and Evaluation Assets						
Balance, August 31, 2019	**$ -**	**$ 2,250,641**	**$ -**	**$ 320,191**	**$ -**	**$ 2,570,832**
Balance, August 31, 2020	**$ 34,071**	**$ 2,696,759**	**$ -**	**$ -**	**$ -**	**$ 2,730,830**

6. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Baxter Spring Property

On August 26, 2020, the Company entered into an option agreement to acquire a 100% interest in the Baxter Spring Property, located in Nevada, from Liberty Gold Corp. ("Liberty") and Liberty's wholly owned subsidiary, Pilot Gold (USA) Inc.

In consideration, the Company must make payments as follows:

- Cash payment of US$250,000 (paid subsequent to August 31, 2020);
- An additional cash payment US$250,000 on or before December 1, 2021; and
- Issuance of common shares of the Company equal to 19.5% of the outstanding shares (issued 14,986,890 shares valued at $3,821,657 subsequent to August 31, 2020).

The property is subject to a 2% net smelter return royalty ("NSR") and Liberty retains a back-in right to acquire a 35% interest in the property within three years upon payment of the sum of US$1,000,000 to the Company.

b) Canegrass Property

On March 15, 2018, the Company entered into an option agreement with Trafalgar Resources Pty. Ltd. ("Trafalgar") to acquire a 100% interest in the Canegrass Property, located in the Mount Magnet region of Western Australia.

In consideration, the Company must make payments as follows:

- Cash payment of $25,000 (paid) and issuance of 1,500,000 common shares of the Company (issued and valued at $870,000) upon approval by the TSX-V (approval received on March 21, 2018);
- Issuance of an additional 937,500 common shares of the Company on or before March 21, 2019 (issued and valued at $553,125); and
- Issuance of an additional 937,500 common shares of the Company on or before March 21, 2020 (issued and valued at $131,250).

The Company must also incur exploration expenditures as follows:

- $500,000 on or before March 21, 2019 (incurred);
- An additional $500,000 on or before March 21, 2020 (incurred); and
- An additional $500,000 on or before March 21, 2021.

A finder's fee of 130,529 shares (issued and valued at $75,707) was paid in relation to the agreement. Subject to further TSX-V approval, a discovery bonus of 750,000 common shares of the Company will be issued in the event of discovery of a copper/cobalt equivalent resource of 250,000 ounces or greater on the Canegrass Property.

The Company also paid a $25,000 letter of intent ("LOI") fee to Trafalgar during the year ended August 31, 2018.

c) Ashburton Project

On August 8, 2018, the Company entered into an agreement to acquire a 100% interest in the Ashburton Project, located in Western Australia.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

c) Ashburton Project (continued)

In consideration, the Company must make payments as follows:

- Issuing common shares of the Company upon completion with a volume weighted average price ("VWAP") over a 30-day period of $750,000 (issued and valued at $514,594 based on the trading price at the date of issuance); and
- Issuing common shares of the Company with a VWAP over a 30-day period of $750,000 on October 9, 2019 (issued and valued at $175,000 based on the trading price at the date of issuance).

The Company also paid a $25,000 LOI fee to the vendor during the year ended August 31, 2018.

The Company recorded impairment charges in the amounts of $635,750 and $175,000 during the years ended August 31, 2019 and 2020, respectively. The Company retains ownership of the Ashburton Project.

d) Atikwa Lake / Maybrun Properties

On February 4, 2016, the Company entered into an agreement to acquire a 100% undivided interest in 20 mineral claims located in Ontario. As consideration, the Company issued 37,500 common shares of the Company at a value of $60,000.

In March 2017, an additional five claims were acquired for $6,480.

On May 1, 2020, the Company entered into an agreement to dispose of the claims acquired in February 2016 and March 2017. In consideration, the Company received $50,000 in cash. The Company will also conditionally receive 200,000 common shares of a public company if the purchaser of the claims enters into an amalgamation, a reverse takeover, or similar transaction with a publicly-traded company. Since the receipt of the 200,000 common shares is conditional and uncertain, no receivable has been recorded. For the year ended August 31, 2020, the Company recorded a loss on sale of exploration and evaluation assets of $270,191 (2019 - $nil).

On April 7, 2017, the Company entered into an agreement to acquire a 100% interest in the Maybrun Property located in Ontario. As consideration, the Company issued 600,000 common shares at a value of $600,000 and paid $40,000 in cash.

The vendors retained a 2% NSR on the property. The Company had the option to purchase 1% of the 2% NSR (one-half) at a price of $1,000,000.

During the year ended August 31, 2019, the Company allowed the option title claims to lapse and recorded an impairment charge in the amount of $641,000.

e) Batt Property

On March 26, 2018, the Company entered into an option agreement with Strategic Metals Ltd. ("Strategic") to acquire an 80% interest in the Batt Property, located in Yukon Territory. In consideration, the Company paid cash of $25,000 and issued 125,000 common shares of the Company valued at $67,500.

The Company was also required to incur exploration expenditures as follows:

- $50,000 on or before March 31, 2019 (incurred);
- An additional $150,000 on or before March 31, 2020; and
- An additional $300,000 on or before March 31, 2021.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

e) Batt Property (continued)

Strategic retained a 1% NSR on the property. In the case the option agreement terms were met, a joint venture ("JV") would be formed between the Company and Strategic. If Strategic's JV participation dropped below 10%, the NSR would increase to 2%. At that time, the Company could repurchase 1% (one-half) of the NSR for $1,000,000, subject to further TSX-V approval.

During the year ended August 31, 2019, the Company did not have intentions to meet future exploration expenditure requirements and recorded an impairment charge in the amount of $162,786.

7. LOANS PAYABLE

		2020		2019
Loans payable to current and former directors (Note 8)	$	200,000	$	125,000
Loans payable to shareholders		62,300		-
	$	262,300	$	125,000

The amounts are unsecured, non-interest-bearing and are due on demand.

8. RELATED PARTY BALANCES AND TRANSACTIONS

These amounts of key management compensation are included in exploration and evaluation assets and the amounts shown on the consolidated statements of comprehensive loss:

		2020		2019
Consulting fees	$	-	$	104,294
Geological	$	-	$	10,125
Management fees	$	90,000	$	215,000
Share-based payments	$	68,213	$	282,495

Key management includes directors and officers of the Company, including the Chief Executive Officer, President and Chief Financial Officer.

During the year ended August 31, 2020, the Company also paid or accrued:

- $36,000 (2019 - $33,000) in rent to a company with common officers and directors;
- $1,891 (2019 - $nil) to a private company for a director's services;
- $nil (2019 - $80,000) in consulting fees to a private company controlled by a former officer; and
- $15,000 (2019 - $40,000) in office expenses to a private company controlled by a former officer.

As at August 31, 2020, included in accounts payable and accrued liabilities is $160,544 (2019 - $179,767) due to directors and officers of the Company, $110,250 (2019 - $96,886) due to a company controlled by a former officer, $10,500 (2019 - $15,750) due to a company with common officers and directors, and $156,715 (2019 - $42,000) due to former directors and officers. The amounts are unsecured, non-interest-bearing and are due on demand.

8. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

As at August 31, 2020, included in loans payable is $75,000 (2019 - $nil) due to an officer and director and $125,000 (2019 - $125,000) due to a private company controlled by a former officer (Note 7). The amounts are unsecured, non-interest-bearing and are due on demand.

9. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding

During the year ended August 31, 2020

- On December 31, 2019, the Company completed a non-brokered private placement for gross proceeds of $82,000. The Company issued 745,454 units at a price of $0.11 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.14 for a period of two years. The Company incurred $1,160 of share issuance costs.

- On March 9, 2020, the Company issued 937,500 common shares valued at $131,250 for the acquisition of the Canegrass Property (Note 6(b)).

- On March 11, 2020, the Company issued 1,249,999 common shares valued at $175,000 for the acquisition of the Ashburton Property (Note 6(c)).

- On March 18, 2020, the Company completed a non-brokered private placement for gross proceeds of $500,000. The Company issued 5,000,000 common shares at a price of $0.10 per share and incurred $3,250 of share issuance costs.

- During the year ended August 31, 2020, the Company received $42,070 pursuant to the exercise of 300,500 warrants.

During the year ended August 31, 2019

- On October 9, 2018, the Company issued 816,815 common shares valued at $514,594 for the acquisition of the Ashburton Property (Note 6(c)).

- On March 21, 2019, the Company issued 937,500 common shares valued at $553,125 for the acquisition of the Canegrass Property (Note 6(b)).

- During the year ended August 31, 2019, the Company received $658,347 pursuant to the exercise of 1,993,850 warrants and $120,000 on the exercise of 300,000 stock options. The Company transferred $87,887, the previously recorded fair value of the stock options, from contributed surplus to share capital upon exercise of the stock options. The Company also transferred $19,816 previously recorded as fair value of warrants from contributed surplus to share capital upon exercise of those warrants.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

c) Warrants

Warrant transactions and the number of warrants outstanding for the years ended August 31, 2020 and 2019 are summarized as follows:

	2020		2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	5,068,666	$ 0.30	7,420,702	$ 0.34
Issued	745,454	$ 0.14	-	-
Exercised	(300,500)	$ 0.14	(1,993,850)	$ 0.34
Expired	(4,980,148)	$ 0.30	(358,186)	$ 0.70
Outstanding, end of year	533,472	$ 0.24	5,068,666	$ 0.30

The following warrants were outstanding and exercisable at August 31, 2020:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants
October 26, 2020*	0.15	$ 0.72	88,518
December 31, 2021	1.33	$ 0.14	444,954
	1.14		533,472

* expired unexercised subsequent to August 31, 2020

d) Stock options

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

During the year ended August 31, 2020, the Company recognized a share-based payment expense in the amount of $96,301 in connection with the options granted during the year (2019 - $552,862).

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following is a summary of option transactions under the Company's Plan for the years ended August 31, 2020 and 2019:

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,492,500	$ 0.52	1,650,000	$ 0.60
Expired	(950,000)	$ 0.65	(537,500)	$ 0.57
Exercised	-	-	(300,000)	$ 0.40
Granted	1,200,000	$ 0.20	1,680,000	$ 0.46
Outstanding, end of year	2,742,500	$ 0.34	2,492,500	$ 0.52

The following options were outstanding and exercisable at August 31, 2020:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
November 1, 2020*	0.17	$ 0.50	150,000	150,000
March 8, 2021	0.52	$ 0.40	200,000	200,000
March 28, 2021	0.57	$ 0.57	50,000	50,000
January 23, 2022	1.40	$ 0.44	962,500	962,500
May 1, 2022	1.67	$ 0.50	180,000	180,000
March 25, 2023	2.56	$ 0.20	1,200,000	1,200,000
	1.78		2,742,500	2,742,500

* expired unexercised subsequent to August 31, 2020

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

	2020	2019
Expected life (years)	3.00	2.91
Risk-free interest rate	0.70%	1.88%
Expected annualized volatility	105%	127%
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.14	$ 0.23
Exercise price	$ 0.20	$ 0.23
Weighted average grant date fair value	$ 0.08	$ 0.16

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

d) Stock options (continued)

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

10. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, amounts receivable, accounts payable and loans payable. Cash is classified as FVTPL. Amounts receivable is classified as measured at amortized cost. Accounts payable and loans payable are classified as measured at amortized cost. The carrying values of these instruments approximate their fair values due to the relatively short periods to maturity.

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

August 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 42,653	$ -	$ -	$ 42,653

August 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 18,507	$ -	$ -	$ 18,507

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash. To minimize the credit risk on cash, the Company places the instrument with a major Canadian financial institution.

b) Liquidity risk

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at August 31, 2020, the Company had cash of $42,653 (2019 - $18,507) to settle accounts payable and accrued liabilities of $1,018,880 (2019 - $856,008) and loans payable of $262,300 (2019 - $125,000). The Company will be required to obtain additional financing to satisfy its liabilities. All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

The maturity dates of the Company's contractual obligations as at August 31, 2020, are as follows:

	Total	**Less Than 1 Year**	**1-5 years**	**More Than 5 Years**
Accounts payable and accrued liabilities	$ 1,018,880	$ 1,018,880	$ -	$ -
Loans payable	262,300	262,300	-	-
Total	$ 1,281,180	$ 1,281,180	$ -	$ -

10. FINANCIAL INSTRUMENTS (Continued)

c) Market risk

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

i) *Currency risk* – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has operations in Canada, USA and Australia, and incurs operating and exploration expenditures in all currencies. The fluctuation of the Canadian dollar in relation to the United States dollar and Australian dollar will have an impact upon the results of the Company. A fluctuation in the exchange rates between the Canadian and Australian dollars of 10% would result in a change to the Company's cash of $200 and accounts payable and accrued liabilities of $200. A fluctuation in the exchange rates between the Canadian and Australian dollars of 10% would result in a change to the accounts payable and accrued liabilities of $3,400. The Company does not use any techniques to mitigate currency risk.

ii) *Interest rate risk* – The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations. The Company has no interest-bearing financial liabilities.

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

11. MANAGEMENT OF CAPITAL

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

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

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

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the years ended August 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars)

12. INCOME TAXES

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2020	2019
Combined statutory tax rate	27.00%	27.00%
Income tax recovery at combined statutory rate	$ (322,000)	$ (850,000)
Flow-through expenditures	-	-
Rate change from prior year to current year	(5,000)	(5,000)
Permanent difference and others	32,000	158,000
Tax benefits not recognized	295,000	697,000
Provision for income tax expense	$ -	$ -

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2020	2019
Non-capital loss carry-forwards	$ 1,970,000	$ 1,694,000
Exploration and evaluation assets	1,546,000	1,507,000
Share issuance costs	22,000	39,000
Total gross deferred income tax assets	3,538,000	3,240,000
Deferred tax assets not recognized	(3,538,000)	(3,240,000)
Net deferred income tax assets	$ -	$ -

As at August 31, 2020, the Company had approximately $5,977,000 of non-capital loss carry-forwards in Canada available to reduce taxable income for future years. These losses expire as follows:

August 31, 2031	$ 33,000
August 31, 2032	79,000
August 31, 2033	359,000
August 31, 2034	242,000
August 31, 2035	388,000
August 31, 2036	603,000
August 31, 2037	811,000
August 31, 2038	1,752,000
August 31, 2039	1,044,000
August 31, 2040	666,000
	$ 5,977,000

As at August 31, 2020, the Company has approximately $1,371,000 of non-capital loss carry-forwards in Australia available to reduce taxable income for future years. These losses have no expiry date.

(Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

Geographical information related to the Company's non-current assets is as follows:

		2020		2019
Exploration and evaluation assets – Canada	$	-	$	320,191
Exploration and evaluation assets – United States		34,071		-
Exploration and evaluation assets – Australia		2,696,759		2,250,641
Total exploration and evaluation assets	$	2,730,830	$	2,570,832

14. SUBSEQUENT EVENTS

a) On September 22, 2020, the Company incorporated a wholly owned subsidiary, Huntsman Exploration USA Inc., in Nevada, USA.

b) On October 19, 2020, the Company completed a private placement for gross proceeds of $5,639,000. The Company issued 28,195,000 units at a price of $0.20 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.35 for a period of three years. The Company paid finder's fees of $216,690 in cash and issued 1,083,450 warrants as finder's fees, which have an exercise price of $0.35 and a term to expiry of three years. The Company received $25,000 in connection with this private placement prior to August 31, 2020.

c) Subsequent to August 31, 2020, 154,545 warrants and 1,000 stock options were exercised for gross proceeds of $21,636 and $200, respectively.

d) On November 27, 2020, the Company completed a private placement for a gross proceeds of $380,000. The Company issued 1,900,000 units at a price of $0.20 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.35 for a period of three years.

e) On December 1, 2020, the transaction to acquire a 100% interest in the Baxter Spring Property, Nevada, from Liberty Gold Corp. and Liberty's wholly-owned subsidiary, Pilot Gold (USA) Inc., was approved by the TSX. Subsequent to the year ended August 31, 2020, the Company paid $250,000 USD and issued 14,986,890 shares valued at $3,821,657 in connection with this transaction. The Company has to make an additional payment of $250,000 USD on or before December 1, 2021 (Note6(a)).

f) On December 3, 2020, the Company entered into an to acquire a 100% interest in the Flint Property located in Idaho. In consideration, the Company paid US$100,000 in cash and will issue 8,450,000 common shares of the Company. The vendors retain a 2% NSR. The agreement is subject to the TSX approval. As of December 11, 2020, the approval was not received and the 8,450,000 common shares of the Company were not issued.