AUXICO RESOURCES CANADA INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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Contents

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of
Auxico Resources Canada Inc.,

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee is composed in majority of Directors who are neither management nor employees of the Company. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

Guimond Lavallée Inc., Chartered Professional Accountants Company, has been appointed to audit the consolidated financial statements and their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

February 14, 2020

/s/ Mark Billings
President

Guimond Lavallée inc.
Chartered professional accountants corporation

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
AUXICO RESOURCES CANADA INC.,

Opinion

We have audited the accompanying consolidated financial statements of AUXICO RESOURCES CANADA INC., and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2019, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders equity (deficiency) and consolidated statements of cash flows for the years ended September 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2019, 2018 and 2017, and its financial performance and cash flows for the years ended September 30, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

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 financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 of the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Other Information

Management is responsible for the other information. The other information comprises:

- the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions, but does not include the financial statements and our auditor's report thereon;

- the information contained in a document that may be entitled "2019 Annual Report", other than the financial statements and the auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information are materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We have obtained the information contained in the Management's Discussion and Analysis as of the date of this auditor's report. If, in the light of the work we have done on this other information, we conclude that there is a material misstatement in this other information, we are required to report this fact in the auditor's report. We have nothing to report in this regard.

We expect to obtain the information contained in a document entitled "2019 Annual Report", other than the financial statements and the auditor's report thereon, after the date of this auditor's report. If, in the light of our work on this other information, we conclude that there is a material misstatement in this other information, we will be required to report this fact to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statement, 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 David Lavallée.

Guimond Lavallée inc. [1]

Chartered Professional Accountant Company

Brossard (Quebec)
February 14, 2020

[1] CPA auditor, CA permits nº A128130

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Auxico Resources Canada Inc.
Consolidated Statements of Financial Position
September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	September 30, 2019 $	September 30, 2018 $ (Adjusted Note 6)	October 1, 2017 $ (Adjusted Note 6)
ASSETS			
Current assets			
Cash & cash equivalents	**9,139**	172,178	1,165,415
Sales tax receivable	**20,057**	26,585	43,737
Prepaid expenses	**47,814**	110,970	67,381
Consulting and advisory services to be received	**-**	-	179,900
Advance to directors (note 14)	**3,098**	-	20,562
Advance to a company controlled by a director	**-**	-	27,246
TOTAL ASSETS	**80,108**	309,733	1,504,241
LIABILITIES			
Current liabilities			
Accounts payable and accruals	**428,936**	132,119	124,963
Provision (note 7)	**-**	165,600	156,600
Income tax payable	**2,740**	-	2,186
Due to companies controlled by a director (note 14)	**95,817**	11,498	-
Due to directors (note 14)	**21,606**	9,323	-
	549,099	318,540	283,749
Non-current liabilities			
Deferred income tax liabilities (note 13)	**56,887**	30,585	15,487
TOTAL LIABILITIES	**605,986**	349,125	299,236
EQUITY (DEFICIENCY)			
Equity (Deficiency) attributable to shareholders	**(528,050)**	(39,392)	1,205,005
Equity attributable to non-controlling interest	**2,172**	-	-
Total equity (deficiency)	**(525,878)**	(39,392)	1,205,005
TOTAL LIABILITIES & EQUITY (DEFICIENCY)	**80,108**	309,733	1,504,241

Going Concern (note 2)
Commitments and Contingencies (note 15)

Approved on behalf of the Board:

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	2019 $	2018 $ (Adjusted Note 6)
Expenses		
Professional fees	876,189	749,068
Management fees	210,000	240,000
Legal fees	33,269	110,718
Exploration and evaluation expenditures (note 6)	294,445	250,211
Travel expenses	71,663	198,097
Office expenses	9,907	10,532
Rent	36,000	48,161
Advertising	83,429	14,419
Taxes and permits	753	89
Telecommunication	6,660	1,610
Public listing fees	55,838	71,722
Interest and bank fees	5,180	8,860
Interest and penalties	9,824	-
Gain on litigation settlement (note 7)	(51,459)	-
Litigation provision (note 7)	4,775	9,000
Share-based compensation (note 8)	76,163	489,867
Write-off of sales tax receivable	11,882	57,656
Loss on foreign exchange	48,422	3,346
Loss before income taxes	1,782,940	2,263,356
Income taxes		
Income tax expense (note 13)	2,740	-
Deferred income taxes (note 13)	26,302	15,098
Net loss and comprehensive loss	(1,811,982)	(2,278,454)
Net loss and comprehensive loss attributable to:		
Shareholders	(1,810,737)	(2,278,454)
Non-controlling interest	(1,245)	-
	(1,811,982)	(2,278,454)
Loss per share - basic & diluted (note 9)	(0.042)	(0.063)
Weighted average number of shares outstanding	42,694,589	36,103,425

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Changes in Equity
For the years ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Total equity (deficiency) attributable to shareholders						
	SHARE CAPITAL (Note 8)		DEFICIT	WARRANTS (Note 8)	CONTRIBUTED SURPLUS	TOTAL EQUITY (DEFICIENCY)	NON-CONTROLLING INTEREST
	#	$	$	$	$	$	$
Balance, as at September 30, 2017 – as reported	**35,810,000**	**3,578,059**	**(2,009,375)**	**3,235**	**450,570**	**2,022,489**	**-**
Cumulative effect – Mining properties and exploration and evaluation assets accounting policy change (note 6)	-	-	(817,484)	-	-	(817,484)	-
Balance, as at September 30, 2017 – as adjusted	**35,810,000**	**3,578,059**	**(2,826,859)**	**3,235**	**450,570**	**1,205,005**	**-**
Shares and warrants issued in private placement	2,550,000	510,000	-	74,080	-	584,080	-
Shares to be issued	-	40,000	-	-	-	40,000	-
Issuance costs	-	(79,890)	-	-	-	(79,890)	-
Share-based compensation	-	-	-	-	489,867	489,867	-
Net loss and comprehensive loss for the year	-	-	(2,278,454)	-	-	(2,278,454)	-
Balance, as at September 30, 2018 – as adjusted	**38,360,000**	**4,048,169**	**(5,105,313)**	**77,315**	**940,437**	**(39,392)**	**-**

(Expressed in Canadian Dollars)

	Total equity (deficiency) attributable to shareholders						
	SHARE CAPITAL (Note 8)		**DEFICIT**	**WARRANTS (Note 8)**	**CONTRIBUTED SURPLUS**	**TOTAL EQUITY (DEFICIENCY)**	**NON-CONTROLLING INTEREST**
	#	**$**	**$**	**$**	**$**	**$**	**$**
Balance, as at September 30, 2018 - as adjusted	**38,360,000**	**4,048,169**	**(5,105,313)**	**77,315**	**940,437**	**(39,392)**	**-**
Shares and warrants issued in private placement	5,950,000	896,508	-	308,492	-	1,205,000	-
Shares and warrants issued for provision settlement (note 7)	300,000	55,500	-	13,416	-	68,916	-
Contribution	-	-	-	-	-	-	3,417
Shares and warrants issued to consultant for services	275,000	-	-	-	-	-	-
Issuance costs	-	(28,000)	-	-	-	(28,000)	-
Share-based compensation	-	-	-	-	76,163	76,163	-
Net loss and comprehensive loss for the year	-	-	(1,810,737)	-	-	(1,810,737)	(1,245)
Balance, as at September 30, 2019	**44,885,000**	**4,972,177**	**(6,916,050)**	**399,223**	**1,016,600**	**(528,050)**	**2,172**

Auxico Resources Canada Inc.
Consolidated Statements of Cash Flows
September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	2019 **$**	2018 $ (Adjusted Note 6)
Cash used in operating activities		
Net loss and comprehensive loss	(1,811,982)	(2,278,454)
Adjustments for:		
Share-based compensation	76,163	489,867
Unrealized foreign exchange loss (gain)	3,074	(358)
Write-off of sales tax receivable	11,882	57,656
Litigation provision	4,775	9,000
Gain on litigation settlement	(51,459)	-
Deferred income tax expense	26,302	15,098
Net changes in non-cash working capital items:		
Sales tax receivable	(5,354)	(40,504)
Income tax payable	2,740	
Prepaid expenses	63,156	(43,589)
Consulting and advisory services to be received [a]	-	179,900
Accounts payable, accruals and provision	243,559	7,156
Income taxes payable	-	(2,186)
	(1,437,144)	(1,606,414)
Cash flows from financing activities		
Advance to a director	-	20,562
Advance to a company controlled by a director	-	27,246
Due to directors	9,185	9,323
Due to companies controlled by a director	84,319	11,498
Proceeds from issuance of shares [a]	1,205,000	624,080
Issuance costs [a]	(28,000)	(79,890)
Contribution	3,417	-
	1,273,921	612,819
Decrease in cash and cash equivalents	(163,223)	(993,595)
Cash and cash equivalents, beginning of the year	172,178	1,165,415
Effect of foreign exchange rate fluctuations on cash and cash equivalents	184	358
Cash and cash equivalents, end of the year	9,139	172,178
Supplemental information		
Interest paid	**5,180**	**7,856**

[a] Non-cash financing activities for the year ended September 30, 2019, include the payment of the provision through issuance of units which totalled $68,916 (refer to note 7). For the year ended September 30, 2018, non-cash financing activities include warrants issuance as issuance costs for a total of $74,080. Issuance costs balance of $5,810 is include in accounts payable and accrual.

The accompanying notes form an integral part of the consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Auxico Resources Canada Inc. ("Auxico" or the "Company") was incorporated under the Canada Business Companys Act on April 16, 2014. Auxico has two wholly-owned subsidiary, Auxico Resources S.A. de C.V., which was incorporated under the laws of Mexico on June 16, 2011 and C.I. Auxico de Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico. The Company is also actively engaged in exploration mining opportunities in Colombia.

The Company's head office and primary place of business is located at 230 Notre-Dame Street West, Montréal, Québec, H2Y 1T3, Canada.

2. GOING CONCERN

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in its mining properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and 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, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Auxico is not currently generating any revenue from its operations and for the year ended September 30, 2019, the Company recorded a net comprehensive loss of $1,811,982 (September 30, 2018 - $2,278,454) and a deficit of $6,916,050 (deficit of $5,105,313 as at September 30, 2018). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2020.

Basis of measurement

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable.

3. BASIS OF PREPARATION (continued)

Basis of consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company's subsidiaries, as at September 30, are:

	2019	2018
Auxico Resources S.A. de C.V. ("Auxico Mexico")	100%	100%
C.I. Auxico de Colombia S.A ("Auxico Colombia")	96%	N/A

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent equity interests in the subsidiary owned by outside parties. The share of net assets of the subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

Share-based compensation

A share-based compensation plan has been granted by the Company to its directors, officers and employees. Share-based compensation expense is measured based on the fair value at the grant date and recognized over the period that the employees unconditionally become entitled to the awards with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For non-employees, the fair value of the options is re-measured and recognized over the service period.

Upon the exercise of the options, any consideration received from plan participants is credited to share capital; the amount originally credited to contributed surplus is also reclassified to share capital.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognized as a finance expense.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Mining properties and exploration and evaluation expenditures

Amounts reported in exploration and evaluation expenditures include the costs of acquiring licenses, and costs associated Mining properties and exploration and evaluation expenses include mining properties and other exploration and evaluation costs. Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for, mine, extract and sell all minerals from such claims. Costs incurred include appropriate technical and administrative overheads.

All exploration and evaluation costs are expensed as incurred.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops expensing exploration and evaluation costs for that area and record the amounts either as tangible or intangible mining assets under development according to the nature of the assets.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at amortized cost' and 'fair value through other comprehensive income' (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

IFRS 9 presents a new approach to the classification and measurement of financial assets that considers the business model for managing assets and the characteristics of the related cash flows. Financial assets are classified and valued according to three categories: at amortized cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured according to two categories: at amortized cost or at FVTPL. In accordance with IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falling within the scope of the standard are not separated, but the hybrid financial instrument as a whole is valued for the purposes of ranking.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit- taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asse t forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Financial assets at VOCI are stated at fair value, with any gains or losses arising on re-measurement recognized through other comprehensive income. Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'debt instruments'. Debt instruments are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified all of its financial assets as follows:

Financial Asset	Classification	Subsequent measurement
Cash and cash equivalents	Debt instruments	Amortized cost
Advance to directors	Debt instruments	Amortized cost

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired here there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Company
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at VTPL.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit- taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company has classified all of its financial liabilities as follows:

Financial liability	Classification	Subsequent measurement
Accounts payable and accruals	Other financial liability	Amortized cost
Provision	Other financial liability	Amortized cost
Due to companies controlled by directors	Other financial liability	Amortized cost
Due to directors	Other financial liability	Amortized cost

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Extinguishment of financial liabilities with equity instruments
In accordance with IFRIC 19, when debt is extinguished with equity, the difference between the carrying amount of the debt extinguished and the fair value of the equity is recognized in the consolidated statement of loss and comprehensive loss, unless the settlement was determined to be a transaction with an owner, in which case the difference is recognized in the equity.

Income taxes

a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

b) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting year. 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. However, actual outcomes can differ from those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Provisions and recognition or not of a liability for loss contingencies

A provision is recognized if, as a result of a past event, the Company has a present legal constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. Refer to note 7.

b) Determination of deferred income taxes

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that future income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

c) Going concern

The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. CHANGES IN STANDARDS, INTERPRETATIONS AND ACCOUNTING POLICIES

a) Adoption of new accounting standards

The accounting policies used in these consolidated financial statements are consistent with those applied by the Company in its September 30, 2018 consolidated financial statements except for the amendments to certain accounting standards which are relevant to the Company and were adopted as of October 1, 2018 as described below :

Financial instruments

Effective as of October 1, 2018, the Company adopted IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted the new classification and valuation, impairment and general hedging requirements on October 1, 2018 by applying the classification and valuation, including impairment, requirements retrospectively, with the cumulative effect of initially applying the standard recognized in opening retained earnings as at September 30, 2018 and without restatement of comparative information.

The adoption of IFRS 9 changes the Company's accounting policies with respect to the classification of financial instruments. Following adoption, the Company's classification is as follows:

- Cash and cash equivalents were classified as "Financial assets at fair value through profit and loss" before the adoption of IFRS 9 and are now classified as "Debt instruments" subsequently measured at amortized cost

The changes in classification and measurement criteria resulting from the adoption of IFRS 9 had no impact on the measurement of financial instruments

b) Standards issued but not yet effective

At September 30, 2019, a number of new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

The standards issued but not yet effective that are expected to be relevant to the Company's consolidated financial statements are provided below.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements and are not listed.

5. CHANGES IN STANDARDS, INTERPRETATIONS AND ACCOUNTING POLICIES (continued)

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases, and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the statement of (loss) income.

The new standard is effective for annual periods beginning on or after January 1, 2019. Management is currently evaluating the impact of this standard on the consolidated financial statements of the Company.

IFRIC23 Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

Annual improvements to IFRS Standards (2014-2016) cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3, Business Combinations and IFRS 11, Joint Arrangements – to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;

- IAS 12, Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits -in profit or loss, OCI, or equity;

- IAS 23, Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on October 1, 2019. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(Expressed in Canadian Dollars)

6. CHANGE IN ACCOUNTING POLICY

The Company has historically capitalized expenditures of mining properties and exploration and evaluation activities after they had reached a certain stage under IFRS 6 – Exploration and Evaluation of Mineral Resources.

In the fourth quarter of the year ended September 30, 2019, the Company adopted a voluntary change in accounting policy with respect to mining properties and exploration and evaluation expenses. The Company's new policy is to expense mining properties and exploration and evaluation expenses in the consolidated statement of loss and comprehensive loss until such time as the technical feasibility and commercial viability has been established that supports the future development of the property, and such development receives the Board of Directors approval.

The Company has determined that such voluntary change in accounting policy results in consolidated financial statements providing more relevant information as well as bringing the Company in line with a similar accounting policy adopted by its peers.

This change has been applied to all the Company's mining properties and exploration and evaluation activities.

Under the previous accounting policy, the Company was required to perform an impairment assessment on the carrying value of the mining properties and exploration and evaluation assets. As of September 30, 2019, certain impairment indicators were noted, and may have resulted in an impairment charge, however, no impairment test was required given the change in policy adopted by the Company.

In accordance with *IAS 8 – Accounting policies, changes in accounting estimates and errors*, the change in accounting policy has been made retrospectively and the comparatives have been adjusted accordingly to all periods presented, as if the policy had always been applied.

The following tables summarises the impact of the change in accounting policy on affected line items within the Company's consolidated financial statements:

Adjustments to the Consolidated statements of financial position:

	As at October 1, 2017 Previously stated $	Adjustments $	As at October 1, 2017 Adjusted $
Mining property acquisition costs	181,400	(181,400)	-
Exploration and evaluation expenses	651,622	(651,622)	-
Deferred income tax expense	18,203	(18,203)	-
Total assets	2,337,263	(833,022)	1,504,241
Deferred income tax liabilities	31,025	(15,538)	15,487
Total liabilities	314,774	(15,538)	299,236
Deficit	(2,009,375)	(817,484)	(2,826,859)
Total equity (deficiency)	2,022,489	(817,484)	1,205,005
Total liabilities and equity (deficiency)	2,337,263	(833,022)	1,504,241

(Expressed in Canadian Dollars)

6. CHANGE IN ACCOUNTING POLICY (continued)

	As at September 30, 2018 Previously stated	Adjustments	As at September 30, 2018 Adjusted
	$	$	$
Mining property acquisition costs	216,593	(216,593)	-
Exploration and evaluation expenses	866,641	(866,641)	-
Deferred income tax expense	38,785	(23,687)	15,098
Total assets	1,392,967	(1,083,234)	309,733
Deferred income tax liabilities	69,810	(39,225)	30,585
Total liabilities	388,350	(39,225)	349,125
Deficit	(4,061,304)	(1,044,009)	(5,105,313)
Total equity (deficiency)	1,004,617	(1,044,009)	(39,392)
Total liabilities and equity (deficiency)	1,392,967	(1,083,234)	309,733

7. PROVISION

	2019	2018
	$	$
Beginning balance as at September 30	**165,600**	156,600
Provision	**-**	9,000
Litigation settlement payments	**(50,000)**	-
Issuance of units *	**(68,916)**	-
Gain on litigation settlement	**(46,684)**	-
Ending balance as at September 30	**-**	165,600

The Company was served on March 8, 2017 with a legal proceeding from Telferscot Resources Inc. filed in the Superior Court of Quebec alleging that based on the Amendment to the Amalgamation Agreement signed June 30, 2016 and terminated January 5, 2017, a number of conditions would have not been met, and thus, the break-up fee is due and owing by the Company. The parties have agreed on and filed a case protocol. The exposure consisted in the amount claimed in capital, interest and legal costs, which are limited to courts cost and fees and various disbursements but do not include counsel legal fees. During the year ended September 30, 2018, an amount of $9,000 of interest was accrued to the balance.

7. PROVISION (continued)

During the year, both parties hereby agreed the following:

- $25,000 in cash will be paid by the Company upon signature of the agreement as of March 15, 2019.

- The Company will remit $60,000 in units of the Company consisting of one common share and one-half common share purchase warrant, to be issued no later than March 29, 2019 and at a price not greater than $0.20 per unit and in conjunction with a financing of not less than $100,000.

- An additional $25,000 in cash upon closing of the Company's next financing or no later than March 31, 2019.

* IFRIC-19 – Extinguishing Financial Liabilities with Equity Instruments requires that the equity instruments issued to the creditors should be measured at fair value at the date of issuance, unless fair value cannot be reliably measured, in which case the equity instruments issued are measured at the fair value of the liability extinguished. Refer to note 8.

8. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at September 30, 2019, there were 44,885,000 (38,360,000 as at September 30, 2018) issued and fully paid common shares.

Shares issued

1) On August 20, 2018, the Company completed the first tranche of a non-brokered private placement, raising gross proceeds of $510,000 by issuing 2,550,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

   Issuance costs of $74,080 were incurred for private placement closed in the year ended September 30, 2018.

2) On November 2, 2018, the Company completed a non-brokered private placement, raising gross proceeds of $315,000 by issuing 1,575,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

3) On February 11, 2019, the Company completed a non-brokered private placement, raising gross proceeds of $400,000 by issuing 2,000,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

8. SHARE CAPITAL (continued)

Shares issued (continued)

4) On March 11, 2019, the Company completed a non-brokered private placement, raising gross proceeds of $400,000 by issuing 2,000,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

5) On March 27, 2019, the Company completed a non-brokered private placement, raising gross proceeds of $190,000 by issuing 950,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

   Issuance costs of $28,000 were incurred for private placement closed in the year ended September 30, 2019.

Warrants

On August 20, 2018, the Company issued 1,275,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.155 and an exercise price of $0.40, risk free rate of 2.088%, volatility of 112.25%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $74,080. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

On November 2, 2018, the Company issued 787,500 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.21 and an exercise price of $0.40, risk free rate of 2.32%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $79,304. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

On February 11, 2019, the Company issued 1,000,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.19 and an exercise price of $0.40, risk free rate of 1.79%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $93,113. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

On March 11, 2019, the Company issued 1,000,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.21 and an exercise price of $0.40, risk free rate of 1.66%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $107,008. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Warrants (continued)

n March 27, 2019, the Company issued 475,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.185 and an exercise price of $0.40, risk free rate of 1.47%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $42,483. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

Changes in the number of warrants outstanding are as follows:	Number of warrants	Weighted average exercise price
Balance, as at September 30, 2018	1,291,600	$0.40
Issued	**3,262,500**	**$0.40**
Balance as at September 30, 2019	**4,554,100**	**$0.40**

The following table summarizes the information on outstanding warrants as at September 30, 2019:

Exercise price	Number of option	Weighted average number of remaining contractual life
$0.25	16,600	2,91
$0.40	1,275,000	0.89
$0.40	787,500	1.09
$0.40	1,000,000	1.37
$0.40	1,000,000	1.45
$0.40	475,000	1.49

Stock options

On February 10, 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of $0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.

On October 23, 2017, the Board of Directors issued 1,100,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.40, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.312 per option at the grant date for a total of $342,980 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.567%, expected volatility of 107.5% and expected option life of five years.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Stock options (continued)

On March 13, 2018, the Board of Directors issued 200,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.40, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.320 per option at the grant date for a total of $64,077 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.03%, expected volatility of 112.25% and expected option life of five years.

On August 22, 2018, the Board of Directors issued 600,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.25, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.138 per option at the grant date for a total of $82,810 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 2.03%, expected volatility of 112.25% and expected option life of five years.

On March 23, 2019, the Board of Directors issued 500,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.25, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.152 per option at the grant date for a total of $76,164 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.45%, expected volatility of 126.32% and expected option life of five years.

Changes in the number of options outstanding are as follows:	Number of option	Weighted average exercise price
Balance, as at September 30, 2018	3,675,000	$0.31
Issued	**500,000**	**$0.25**
Expired	**(100,000)**	**$0.40**
Cancelled	**(200,000)**	**$0.40**
Balance, as at September 30, 2019	**3,875,000**	**$0.30**

The following table summarizes the information on outstanding options at September 30, 2019:

Exercise price	Number of option	Weighted average number of remaining contractual life
$0.25	2,325,000	2.36
$0.40	450,000	3.06
$0.40	200,000	3.45
$0.40	400,000	3.89
$0.40	500,000	4.49

(Expressed in Canadian Dollars)

9. LOSS PER SHARE

Basic EPS
Basic EPS is computed by dividing net loss for a year by the weighted average number of common shares outstanding during that year.

Diluted EPS
Diluted EPS is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the years ended September 30, 2019 and 2018. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the consolidated statements of loss and comprehensive loss.

10. SEGMENTATION INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in three geographical segments, Canada, Mexico and Columbia. The total assets and the capital assets identifiable with these geographic areas for the years ended September 30, 2019 and 2018 are as follows:

	2019	2018
	$	$
Canada	**71,887**	196,469
Mexico	**4,941**	113,264
Columbia	**3,280**	-
Total assets	**80,108**	309,733
Canada	**509,080**	343,467
Mexico	**92,377**	5,658
Columbia	**4,529**	-
Total liabilities	**605,986**	349,125
Canada	**1,015,434**	1,144,427
Mexico	**(1,513,596)**	(1,183,819)
Columbia	**(27,716)**	-
Total equity (deficiency)	**(525,878)**	(39,392)
Canada	**1,455,158**	1,815,152
Mexico	**325,690**	463,302
Columbia	**31,134**	-
Net loss and comprehensive loss	**1,811,982**	2,278,454

(Expressed in Canadian Dollars)

11. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company, the current state of the markets and exploration industry. There were no changes in the Company's approach to capital management during the years.

The Company's capital items are the following:

	For the years ended September 30	
	2019	2018
	$	$
Cash & cash equivalents	**9,139**	172,178
Advance to directors	**3,098**	-
Due to directors	**21,606**	9,323
Due to companies controlled by directors	**95,817**	-
Share capital	**4,972,177**	4, 048,169

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Classification of financial instruments
The carrying amount of the Company's financial assets and liabilities by categories are as follows:

	2019	2018
	$	$
Cash & cash equivalents	**9,139**	172,178
Advance to directors	**3,098**	-
Accounts payable and accruals	**428,936**	132,119
Income tax payable	**2,740**	-
Provision	**-**	165,600
Due to directors	**21,606**	9,323
Due to companies controlled by directors	**95,817**	11,498

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Fair value

Fair value is the estimated amount that parties dealing at arm's length would accept to exchange in settlement of a financial instrument based on the current market for instruments with the same risk, principal and maturity date. These fair value estimates are affected by assumptions made about the amount and timing of estimated future cash flows, discount rates and terms of the contract. As a result, the fair values are not necessarily the net amounts that would be realized if such financial instruments were settled.

The Company has determined that the carrying amount of its short-term financial assets and liabilities, including, trade and other receivables, bank overdraft and, trade and other payables, approximates their fair value because of the relatively short periods to maturity of these instruments

Management believes that no significant change occurred in the risk of these instruments.

Fair value hierarchy

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

Risks

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flows and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk

Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars and in Mexican Pesos. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The financial assets denominated in United States dollars and in Mexican Pesos, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

	For the years ended September 30	
	2019	2018
	$	$
Cash & cash equivalents (United States)	**98**	7,129
Cash & cash equivalents (Mexico)	**4,942**	16,016
Net exposure	**5,040**	23,145

A 10% change in the exchange rate would not have a significant impact.

Cash flows and fair value interest rate risk: the Company is exposed to fair value interest rate risk arising from assets and liabilities negotiated at a fixed rate such as are cash and cash equivalents, advance to a shareholder without interest, advance to an entity with significant influence and the due to a company controlled by a director.

However, as these financial instruments mature in a short time, the impact is unlikely to be significant.

Commodity price risk: while the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively impact the Company's ability to raise capital and meet its financial commitments.

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and cash equivalents.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At September 30, 2019 the Company has a negative working capital of $468,991 (September 30, 2018 – negative working capital of $8,807)

The following are the contractual maturities of the financial liability's amounts:

	Less than 1 year $	**1 to 5 years $**	**> 5 years $**
Accounts payable and accruals	**428,936**	-	-

13. INCOME TAXES

Effective income tax expenses differs from income tax expense (recovery) computed based on the combined federal and provincial income tax rate of 26.9% (2018 – 26.9%) as a result of the following:

	For the years ended September 30	
	2019	**2018**
	$	**$**
Loss before income taxes	(1,782,940)	(2,013,144)
Tax recovery using the Company's domestic tax rate	(479,611)	(541,536)
Loss in foreign jurisdiction subject to a different tax rate	(11,798)	(6,148)
Inflation adjustment in foreign jurisdiction subject to a different tax rate	10,880	2,189
Deduction from losses carry forward in foreign jurisdiction	(8,834)	16,934
Change in recognized deductible temporary difference	-	(2,444)
Non-deductible expenses	95,869	165,837
Tax benefits not recognized	396,234	365,168
Total current income tax expenses	2,740	-

(Expressed in Canadian Dollars)

13. INCOME TAXES (continued)

The income tax effect of temporary differences that give rise to future tax assets and liabilities is as follows:

	For the years ended September 30	
	2019	**2018**
	$	**$**
Deferred tax assets		
Non-capital losses	-	-
Exploration and evaluation expenses	-	-
Deferred tax liabilities		
Issuance costs	(56,887)	(30,585)
Net deferred tax liabilities	(56,887)	(30,585)

The non-capital losses expire as follows:

	Federal $	**Quebec** $	**Mexico** $	**Columbia** $
2027	-	-	71,314	-
2028	-	-	157,942	-
2034	7,167	7,167	-	-
2035	13,998	13,998	-	-
2036	323,455	323,455	-	-
2037	1,071,460	1,069,057	-	-
2038	1,358,845	1,355,806	-	-
2039	1,474,935	1,470,533	-	31,134
	4,249,860	4,240,016	229,256	31,134

Movement in deferred tax balances during the year:

	Balance October 1, 2017 $	**Recognized in profit or loss** $	**Balance September 30, 2018** $	**Recognized in profit or loss** $	**Balance September 30, 2019** $
Issuance costs	(15,487)	(15,098)	(30,585)	(26,302)	(56,887)

(Expressed in Canadian Dollars)

13. INCOME TAXES (continued)

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

	For the years ended September 30	
	2019	**2018**
	$	**$**
Non-capital losses	1,213,004	(814,583)
Exploration and evaluation expenses	41,821	20,933

14. RELATED PARTY TRANSACTIONS

The Company's related parties include an entity with significant influence, companies controlled by a director as well as key management personnel and director.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	2019	2018
	$	$
Management fees		
Companies controlled by a director	**120,000**	120,000
Key management personnel and director	**120,000**	120,000
Share-based compensation		
Key management personnel and director	**45,698**	**-**
Rent		
Company controlled by a director	**36,000**	36,000

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS (continued)

	Year	Amounts owed by related parties $	Amounts owed to related parties $
Key management personnel and directors	**2019**	**3,098**	**21,606**
	2018	-	9,323
Company controlled by a director	**2019**	**-**	**95,817**
	2018	-	11,498

The due to directors are unsecured, payable on demand and bears no interest.

The advance to companies controlled by a director is unsecured, payable on demand and bears no interest.

15. COMMITMENTS AND CONTINGENCIES

Net Smelter Return Royalty ("NSRR")

The Company has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR from proceeds of first-hand sale of products proceed from the mining concessions on commencement of commercial production. Half of this NSRR can be purchased by the Company at any time for US $500,000.

Farm-out Agreement

Pursuant to the Farm-out Agreement signed on June 13, 2013, the consideration received of US $300,000 is repayable on a quarterly basis starting sixty days after the start of the production of gold from the Zamora Property. The quarterly payments shall be equal to 7.5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (75% for a consideration of US $1,000,000) until full repayment of the consideration.

After the consideration is fully repaid, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (50% for a consideration of US $1,000,000) until an amount equal to three times the amount of the consideration is received by the Lender. After, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 2.5% of the net profits (after taxes) for each tranche of $100,000 lent (25% for a consideration of US $1,000,000) thereafter for the life of the mine.

On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned above. Under the terms of the MOU, the Company had the option, but not the obligation, to cancel the Farm-out Agreement by paying to the Lender a total of US$400,000 in cash and by issuing a total of 1,000,000 common shares of the Company, upon or after the Company's listing on a registered Canadian stock exchange. The Company could initially exercise this option within 12 months of the signing of the MOU. The extension of this option, currently expired, was first prolonged to December 31, 2017, subsequently to June 30, 2018 and finally to August 31, 2019.

15. COMMITMENTS AND CONTINGENCIES (continued)

On May 8, 2018, the Company and the Government of Bolivar agreed to work together in future partnership and to share the profits of the Company's eventual gold production operations in Bolivar, with 75% of net profits going to the Company and 25% going to the Government of Bolivar.

On May 25, 2018, the Company agreed to pay Central America Nickel Inc. ("CAN") a 2% net royalty on the production of gold on any deposit in the world where process is used by Auxico. The Company has the option to buy back 50% of this royalty (or 1% of the 2% royalty) at any time through the issuance of 2,000,000 common shares of the Company.

On September 17, 2018, the Company and the Government of Guainia agreed to work together in future partnership and to share the profits of the Company's mineral production operations in Guainia, with 75% of net profits going to the Company and 25% going to the Government of Guainia.

16. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to make their presentation identical to that adopted in 2019. These reclassifications had no effect on the reported result of operations.