Churchill Diamond Corporation

CHURCHILL DIAMOND CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

(Expressed in Canadian Dollars)

RESERVED FOR AUDITOR'S REPORT

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Churchill Diamond Corporation
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at Note(s)	August 31, 2020 $	August 31, 2019 $
ASSETS			
Current assets			
Cash		154	3,162
Accounts receivable		1,914	2,716
Prepaid expenses		510	454
		2,578	**6,332**
Non-current assets			
Plant and equipment	4	42,839	341
Exploration and evaluation assets	5	1,099,492	1,150,314
		1,142,331	**1,150,655**
TOTAL ASSETS		**1,144,909**	**1,156,987**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		262,427	206,526
Loan payable	7, 8	47,908	10,000
Flow through shares premium liability	9	2,090	-
Current portion of lease obligation	6	13,812	-
		326,237	**216,526**
Long term liabilities			
Lease obligation	6	29,746	-
		29,746	**-**
TOTAL LIABILITIES		**355,983**	**216,526**
SHAREHOLDERS' EQUITY			
Share capital	7	2,638,711	2,389,155
Share subscription received		-	30,000
Obligation to issue shares		-	75,000
Stock options reserve		323,373	63,848
Accumulated deficit		(2,173,158)	(1,617,542)
TOTAL SHAREHOLDERS' EQUITY		**788,926**	**940,461**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,144,909**	**1,156,987**
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These financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Paul Sobie Director **/s/ Bill Fisher Director**

Churchill Diamond Corporation
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the years ended	
		August 31, 2020	August 31, 2019
	Note(s)	$	$
Expenses			
Bank charges		287	305
Depreciation	4	4,235	417
Exploration and evaluation	5, 8	29,837	65,633
General and administrative costs		4,984	3,335
Other income	9	(2,910)	(9,167)
Professional fees	8	28,176	38,893
Salaries and benefits	8	5,625	3,213
Share-based compensation	7, 8	259,525	-
Rent	8	9,000	12,000
		(338,759)	**(114,629)**
Other expenses			
Accretion interest of lease obligation	6	(1,325)	-
Impairment of exploration and evaluation assets	5	(215,532)	-
		(216,857)	**-**
Total loss and comprehensive loss		**(555,616)**	**(114,629)**
Basic and diluted loss per share for the year attributable to common shareholders		(0.03)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		18,862,397	17,843,656

(Expressed in Canadian Dollars)

	Note(s)	Share capital: Number of shares	Share capital: Amount $	Share subscription received $	Obligation to issue shares $	Stock options reserve $	Accumulated deficit $	Total $
Balance as at August 31, 2018		**17,381,506**	**2,203,253**	**40,003**	**-**	**63,848**	**(1,502,913)**	**804,191**
Share subscriptions received in advance	7	-	-	30,000	-	-	-	**30,000**
Shares issued for cash - flow through	7	100,001	25,000	(20,000)	-	-	-	**5,000**
Shares issued for cash - non flow-through	7	80,015	20,003	(20,003)	-	-	-	**-**
Flow through shares issued for debt settlement	7, 8	83,334	20,833	-	-	-	-	**20,833**
Shares issued for exploration and evaluation assets	5, 7	500,000	125,000	-	-	-	-	**125,000**
Share issue costs		-	(4,934)	-	-	-	-	**(4,934)**
Obligation to issue shares related to exploration and evaluation assets	5, 7	-	-	-	75,000	-	-	**75,000**
Net loss for the year		-	-	-	-	-	(114,629)	**(114,629)**
Balance as at August 31, 2019		**18,144,856**	**2,389,155**	**30,000**	**75,000**	**63,848**	**(1,617,542)**	**940,461**
Shares issued for cash - flow through	7	100,000	25,000	(20,000)	-	-	-	**5,000**
Shares issued for cash - non flow-through	7	80,000	20,000	(10,000)	-	-	-	**10,000**
Non flow-through shares issued for debt settlement	7, 8	40,000	10,000	-	-	-	-	**10,000**
Shares issued for exploration and evaluation assets	5, 7	800,000	200,000	-	(75,000)	-	-	**125,000**
Share issue costs		-	(5,444)	-	-	-	-	**(5,444)**
Share-based payments	7, 8	-	-	-	-	259,525	-	**259,525**
Net loss for the year		-	-	-	-	-	(555,616)	**(555,616)**
Balance as at August 31, 2020		**19,164,856**	**2,638,711**	**-**	**-**	**323,373**	**(2,173,158)**	**788,926**

Churchill Diamond Corporation
Statements of Cash Flows
(Expressed in Canadian Dollars)

		For the years ended	
	Note(s)	August 31, 2020 $	August 31, 2019 $
Cash flows from OPERATING ACTIVITIES			
Net loss for the year		(555,616)	(114,629)
Adjustments for items not affecting cash:			
Depreciation	4	4,235	417
Accretion interest of lease obligation	6	1,325	-
Impairment of exploration and evaluation assets	5	215,532	-
Other income	9	(2,910)	(9,167)
Share-based payments	7, 8	259,525	-
Net changes in non-cash working capital items			
Accounts receivable		802	(105)
Prepaid expenses		(56)	319
Accounts payable and accrued liabilities		25,901	91,290
Cash flow used in operating activities		**(51,262)**	**(31,875)**
INVESTING ACTIVITIES			
Acquisition of mineral properties exploration and evaluation assets	5	(9,710)	(10,800)
Cash flow used in investing activities		**(9,710)**	**(10,800)**
FINANCING ACTIVITIES			
Loan payable	8	47,908	10,000
Shares issued for cash, net of share issue costs	7	14,556	5,066
Subscriptions received in advance		-	30,000
Lease payments	6	(4,500)	-
Cash flow from financing activities		**57,964**	**45,066**
Increase (decrease in cash)		**(3,008)**	**2,391**
Cash, beginning of year		**3,162**	**771**
Cash, end of year		**154**	**3,162**
Supplementary cash flow information			
Increase in accounts payable and accrued liabilities related to mineral property costs		30,000	30,000
Obligation to issue shares related to exploration and evaluation assets		75,000	75,000
Reclassification of shares subscription received to share capital	7	30,000	40,003
Reduction to share capital for flow-through share premium liability	7, 9	5,000	9,167
Shares issued for debt settlement	7, 8	10,000	25,000
Shares issued for exploration and evaluation assets	5, 7	125,000	125,000
Initial recognition of right-of-use assets and lease obligation	4, 6	46,733	-
Reclassification of the current portion of lease obligation	6	13,812	-
Cash paid during the year for interest		-	-
Cash paid during the year for income taxes		-	-

1. NATURE AND CONTINUANCE OF OPERATIONS

Churchill Diamond Corporation (referred to as the "Company" or "Churchill"), is a Canadian exploration stage mining company which is focused on the exploration of minerals and precious gems in Canada's Nunavut Territory and Ontario.

The Company was incorporated on April 10, 2014, under the Canada Business Corporations Act. Its registered office is located at Suite 501, 133 Richmond Street West, Toronto, Ontario, M5H 2L3. The Company's records office is located at 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2.

At the date of these financial statements, the Company has not identified a known body of commercial grade minerals on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations. As at August 31, 2020, the Company had working capital deficiency of $323,659 (2019 – $210,194) and an accumulated deficit of $2,173,158 (2019 – $1,617,542). These conditions may cast substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

Acquisition of mining claim

On October 22, 2020, the Company entered into a letter of intent (the "LOI") with Altius Resources Inc. ("Altius") to acquire 100% interest of the mining claims (the "Claims") known as the Taylor Brook Nickel-Copper-Cobalt Project which is located within the Long Range Gneiss Complex of Western Newfoundland, approximately 40-60km north-northeast of Deer Lake. Pursuant to the LOI, the Company will have the exclusive option for a period of 24 months (the "Option Period") to acquire an undivided 100% interest in the Claims (the "Acquisition").

On December 18, 2020 (the "Execution Date"), the Company signed an option agreement (the "Option Agreement") with Altius.

Pursuant to the Option Agreement, the Company will:

1) Issue 2,160,000 common shares, or such number which is equivalent to 9.9% of the common shares issued and outstanding of the Company at the date of issuance, to Altius upon the Execution Date (2,423,180 common shares were issued on the Execution Date);

2) Incur a minimum of $250,000 in exploration expenditures on the Claims within 12 months following the Execution Date;

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

Acquisition of mining claim (continued)

3) Complete an equity financing with an amount of at least $1 million with a share price of not less than $0.25 (the "Proposed Private Placement") within 12 months following the Execution Date (Note 14);

4) Issue common shares which will result in Altius' post Proposed Private Placement ownership at 19.9% based on the common shares issued and outstanding of the Company at the date of issuance, to Altius within 24 months following the Execution Date;

5) Commencing a transaction that will result in the Company becoming a reporting issuer in at least one province of Canada (the "Going Public Transaction") Claims within 12 months following the Execution Date and complete the Going Public Transaction within 24 months following the Execution Date (see "proposed business combination" below); and

6) Enter into an investor rights agreement (the "Investor Rights Agreement") with Altius.

The Investor Rights Agreement will entitle Altius to designate one nominee for the election to the board of directors of the Company and will grant the right to Altius to participate in future equity financing (the "Future Financings") undertaken by the Company on the same terms which are offered to third parties to subscribe the common shares of the Company to maintain Altius' post Future Financings ownership in the Company at 19.9% of the issued and outstanding common shares of the Company.

Proposed business combination

On December 23, 2020, the Company entered into a binding agreement with 9 Capital Corp. ("9 Capital"), a Capital Pool Company ("CPC") and intends the Acquisition to constitute its Qualifying Transaction (the "Qualifying Transaction") under the policies of the TSX Venture Exchange, to effect a business combination of the Company and 9 Capital (the "Proposed Business Combination"). The Proposed Business Combination will be a reverse takeover of 9 Capital by the Company and its shareholders.

On or immediately prior to the completion of the Business Combination, it is anticipated that:

a) 9 Capital will effect a name change to such name as may be determined by the Company; and
b) 9 Capital will implement the share consolidation of 1 post-consolidation common share ("9 Capital New Share") for 1.7 pre-consolidation common shares.

Pursuant to the Proposed Business Combination:

a) the Company's shareholders will receive one 9 Capital New Share for each Company's common share they held at the date of completion (the "Exchange Ratio").
b) all existing securities convertible into Company's common shares will be exchanged, based on the Exchange Ratio, for similar securities to purchase 9 Capital New Shares on substantially similar terms and conditions.

Financings

To close the Proposed Business Combination, the Company is required to complete a financing to issue common share at $0.25 per share for aggregate gross proceeds of a minimum of $1,000,000 and a maximum of $1,500,000 (the "Financings"). Completion of the Financings is a condition to the closing of the Proposed Business Combination. (Note 14)

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

COVID-19

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards

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

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Critical accounting estimates

The information about significant areas of estimation uncertainly considered by management in preparing the financial statements are as follows:

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting estimates (continued)

Income taxes
The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Critical accounting judgments
Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Share-based payments
The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The Company recognizes share-based payments expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments and stock option reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Income taxes

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Exploration and evaluation assets

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to profit or loss as incurred.

Exploration costs are expensed as incurred as the Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body, will be capitalized.

At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

For the years presented the Company has no provisions for environmental rehabilitation.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar.

Foreign currency transactions are translated into the Canadian dollar using the exchange rates prevailing at the dates of the transactions. At the end of the each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign amounts are translated at the rate of exchange at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Loss per share

The Company presents basic loss per share 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.

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Impairment of long-lived assets (continued)
Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Flow-through shares
Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby it agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the existing shares and the amount the investor pays for the flow-through shares. A flow-through share premium liability is recognized for this difference. The Company renounces the deductions for tax purposes related to the eligible exploration and evaluation expenditures on the date the flow-through shares are issued under the look-back rule.

The flow-through share premium liability is reduced on a pro-rata basis and recorded in profit or loss as other income based on the corresponding eligible expenditures that have been incurred.

Equipment
Equipment is initially recognized at cost which includes the purchase price, and directly attributable costs for bringing the asset to the present location and condition necessary for its intended use, and the estimated present value of any future costs of dismantling and removing items. All items of equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided for at the following rate:

- Computer equipment 30%

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

Financial instruments

- **Financial assets**

  Classification and measurement
  The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

- **Financial assets (continued)**

  Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

  Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

  Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

- **Impairment of financial assets at amortized cost**
  The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

  Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

- **Derecognition of financial assets**
  Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

- **Financial liabilities**
  The Company classifies its financial liabilities into one of two categories as follows:

  Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

  Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Refer to Note 12 for further disclosures.

Leases

Prior to the adoption of IFRS 16 Leases ("IFRS 16") on September 1, 2019, the Company recognized operating lease payments as an expense on a straight-line basis over the term of the operating lease. Effective September 1, 2019, IFRS 16 was effective for the Company and it has applied the following policy since that date (see Note 3).

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. Leases are recognized as a lease liability and a corresponding ROU asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

Lease payments are allocated between the lease liability and finance costs. Cash outflows for repayment of the principal portion of the lease liability are classified as cash flows from financing activities. The interest portion of the lease payments is classified as cash flows from operating activities.

The ROU asset is initially measured at an amount equal to the corresponding lease liability and is subsequently depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term.

The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of loss on a straight-line basis over the lease term.

3. NEW ACCOUNTING STANDARDS

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that were effective for accounting periods beginning before or on January 1, 2019 and were adopted by the Company on September 1, 2019.

IFRS 16 – Leases

IFRS 16 introduced a single accounting model for lessees. The Company, as lessee, is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The Company was permitted to elect to not apply IFRS 16 to leases with a term of less than 12 months, which election is made by the underlying class of assets to which the right of use asset relates, or leases where the underlying asset is of low value, which election is made on an asset-by-asset basis.

The Company adopted this standard using the modified retrospective approach. Accordingly, the comparative information presented for the year ended August 31, 2019 has not been restated.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, 'Determining Whether an Arrangement contains a Lease'. On adoption of IFRS 16, the Company now assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Company elected to apply the practical expedient permitted by the standard to grandfather the assessment of which transactions are leases. IFRS 16 was applied only to contracts that were previously identified as leases.

Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed using the definition of a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after September 1, 2019.

On initial adoption, the Company used the following practical expedients as permitted by the standard when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with low value.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases in a similar economic environment).
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, the Company completed an assessment and concluded that there is no material impact on the financial statements at the date of adoption. (Note 6)

IFRIC 23 – Uncertainty over Income Tax Treatments

This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The adoption of this standard did not have an impact on the financial statements.

(Expressed in Canadian Dollars)

4. EQUIPMENT

	Computer equipment	Right-of-use asset	Total
	$	$	$
Cost			
As at August 31, 2019	1,046	-	**1,046**
Additions	-	46,733	**46,733**
As at August 31, 2020	**1,046**	**46,733**	**47,779**
Depreciation			
As at August 31, 2019	(705)	-	**(705)**
Charged for the year	(341)	(3,894)	**(4,235)**
As at August 31, 2020	**(1,046)**	**(3,894)**	**(4,940)**
Net book value			
As at August 31, 2019	**341**	**-**	**341**
As at August 31, 2020	**-**	**42,839**	**42,839**

Cost			
As at August 31, 2018	1,046	-	**1,046**
As at August 31, 2019	**1,046**	**-**	**1,046**
Depreciation			
As at August 31, 2018	(288)	-	**(288)**
Charged for the year	(417)	-	**(417)**
As at August 31, 2019	**(705)**	**-**	**(705)**
Net book value			
As at August 31, 2018	**758**	**-**	**758**
As at August 31, 2019	**341**	**-**	**341**

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets are broken down as follows:

	Pelly Bay $	Sandspit Lake $	White River $	Other $	Total $
Balance as of August 31, 2018	**407,144**	**140,532**	**360,418**	**1,420**	**909,514**
Acquisition costs					
- Cash	-	-	30,000	-	**30,000**
- Common shares	-	75,000	125,000	-	**200,000**
	-	75,000	155,000	-	**230,000**
Staking costs	-	-	10,800	-	**10,800**
Balance as of August 31, 2019	**407,144**	**215,532**	**526,218**	**1,420**	**1,150,314**
Acquisition costs					
- Cash	-	-	30,000	-	**30,000**
- Common shares	-	-	125,000	-	**125,000**
	-	-	155,000	-	**155,000**
Staking costs	-	-	9,710	-	**9,710**
Impairments	-	(215,532)	-	-	**(215,532)**
Balance as of August 31, 2020	**407,144**	**-**	**690,928**	**1,420**	**1,099,492**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Pelly Bay Property, Nunavut

The Pelly Bay Property is located in central Nunavut, Canada. The Company has a 100% interest in all claims of the Pelly Bay Property.

Adamera, the original optionor, will retain a 2% Gross Over-riding Royalty ("GOR") on all diamonds mined in a specific Area of Interest, of which 1% can be purchased by the Company not later than within the first year of production, for $1,000,000. Adamera also retains a 2% GOR on all other commodities mined in the Area of Interest, under the same terms.

The Pelly Bay Property claims are currently suspended as per Nunavut Mining Regulations policies as the Company awaits the approval of the Water Permit from the Nunavut Water Board. Assessment requirements upon re-activation of the claims will total $1,707,500 in qualified work expenditures, or cash fees, to keep all claims in good standing to July 24, 2021, should the claims be activated at the Company's request following receipt of the water permit. Work or charges for each year from July 24, 2021 to July 24, 2024, due on these dates, is $853,750 per year, assuming the entire property is retained.

Sandspit Lake Property, Northern Ontario

On August 23, 2016, the Company entered into an earn-in agreement with Rudolf Wahl and Frederick Lowndes (collectively, the "Vendors") on the Sandspit Lake property ("Sandspit Lake"). Sandspit Lake originally consisted of one isolated claim that required $5,103 work annually. The Company increased the size of the property by staking 19 new legacy claims during 2017, which have been converted in 2019 under Ontario's new Mining Lands Administration System ("MLAS"), to 280 claim cells.

Pursuant to the agreement, the Company can acquire up to a 100% interest in Sandspit Lake by making the following payments:

- On August 23, 2016: $10,000 cash (paid) and 150,000 shares (issued; fair value of $37,500)
- On August 23, 2017: $15,000 cash (paid) and 100,000 shares (issued; fair value of $25,000)
- On August 23, 2018: $15,000 cash (deferred) and 100,000 shares (issued; fair value of $25,000)
- On August 23, 2019: $50,000 cash (deferred) and 300,000 shares (issued (1); fair value of $75,000)

(1) Issued on September 25, 2019.

During the year ended August 31, 2018, the Company entered into agreement with the Vendors to defer the final cash payment requirement indefinitely.

The Vendors will retain a 3% GOR on all diamonds mined at Sandspit Lake, of which 2% can be purchased by the Company at any time for $2,000,000. The Vendors will also retain a 3% GOR on all other commodities mined at Sandspit Lake, with the same royalty terms. As of August 31, 2020, the Company incurred qualified exploration expenditures of $302,924 on the Sandspit Lake Property (2019 – $300,769), such that all claims are in good standing.

On October 29, 2020, the Company returned the Sandpit Lake Property to the Vendors; as a result, the Company impaired the carrying value of the Sandspit Lake as of August 31, 2020, and recognized an impairment loss of $215,532 in the statements of loss and comprehensive loss during the year ended August 31, 2020.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

White River Property, Northern Ontario

On February 9, 2017, the Company entered into an earn-in agreement with the Vendors) on the White River property ("White River"). The original property totaled 12 mining claims which the Company increased to 72 legacy claims through physical staking programs in 2017 which were converted in 2019 to 970 MLAS claim cells. During 2019, the Company was able to further increase the size of the property by map staking 409 new MLAS claim cells under Churchill's name.

Pursuant to the agreement, the Company can acquire up to a 100% interest in White River by making the following payments:

• Upon signing the agreement:	$40,000 cash (paid)
• Upon regulatory approval:	350,000 common shares (issued; fair value of $87,500)
• On or before February 9, 2018:	$30,000 cash (paid) and 500,000 common shares (issued; fair value of $125,000)
• On or before February 9, 2019:	$30,000 cash (deferred) and 500,000 common shares (issued; fair value of $125,000)
• On or before February 9, 2020:	$30,000 cash (paid [(1)]) and 500,000 common shares (issued; fair value of 125,000)
• On or before February 9, 2021:	$30,000 cash and 500,000 common shares
• On or before February 9, 2022:	$50,000 cash and 500,000 common shares

(1) Paid subsequent to August 31, 2020.

The Company is also required to incur a minimum of $1,000,000 in exploration work on the White River by February, 2022, of which $72,000 is required to be incurred by February, 2018 (incurred). As of August 31, 2020, the Company incurred qualified exploration expenditures of $641,305 on the White River Property such that all claims are in good standing (2019 – $609,577).

The Vendors will retain a 3% GOR on all diamonds mined at White River, of which 1.5% can be purchased by the Company at any time for $2,000,000. The Vendors will also retain a 2% GOR on all other commodities mined at White River, of which 1% can be purchased by the Company at any time for $1,000,000.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

The Company's exploration and evaluation expenditures during the years ended August 31, 2020 and 2019 are broken down as follows:

	August 31, 2020 $	August 31, 2019 $	Cumulative exploration and evaluation expenditures as at August 31, 2020 $
Consulting	3,405	50,000	**512,486**
Drilling	-	-	**24,850**
Equipment rental	-	-	**28,220**
Field work	26,432	15,313	**92,512**
Helicopter	-	-	**48,100**
Licenses and permits	-	-	**715**
Line cutting	-	-	**52,850**
Mapping	-	-	**3,215**
Project	-	-	**45,962**
Repairs and maintenance	-	-	**2,204**
Recovery	-	-	**(47,206)**
Salaries and wages	-	320	**16,280**
Sample	-	-	**122,609**
Survey	-	-	**201,145**
Transportation	-	-	**68,036**
Travel	-	-	**54,441**
	29,837	**65,633**	**1,226,419**

(Expressed in Canadian Dollars)

6. LEASE OBLIGATION

On June 1, 2020, the Company recognized a lease obligation for its office lease, which has a term of three years.

	$
As at August 31, 2019	**-**
Addition	46,733
Finance costs	1,325
Payments	(4,500)
As at August 31, 2020	**43,558**
Minimum undiscounted lease payments for each fiscal year:	
2021	18,120
2022	18,600
2023	14,220
	50,940
Effect of discounting	**(7,382)**
	43,558
Current	**13,812**
Long-term	**29,746**
	43,558

7. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
At August 31, 2020, the Company had 19,164,856 (2019 – 18,144,856) common shares issued and outstanding.

During the year ended August 31, 2020

- On September 25, 2019, the Company issued 300,000 common shares with fair value of $75,000 for the Sandspit Lake Property (Note 5).

- On December 10, 2019, the Company issued 40,000 non-flow-through shares at a price of $0.25 to settle the balance of $10,000 promissory note issued to the Company's Chief Executive Officer during the year ended August 31, 2019 (Note 8).

- On December 10, 2019, the Company completed a non-brokered private placement for an aggregate of 80,000 non-flow-through shares at a price of $0.25 per non-flow-through share for aggregate gross proceeds of $20,000 of which $10,000 was received during the year ended August 31, 2019.

- On December 10, 2019, the Company completed a non-brokered private placement for an aggregate of 100,000 flow-through shares at a price of $0.30 per flow through share for aggregate gross proceeds of $30,000 of which $20,000 was received during the year ended August 31, 2019. The Company reclassified $5,000 as a flow-through share premium liability (Note 8).

- On February 11, 2020, the Company issued 500,000 common shares with fair value of $125,000 for the White River Property (Note 5).

During the year ended August 31, 2019

- On November 28, 2018, the Company issued 83,334 flow-through shares at a price of $0.30 to settle the balance of $25,000 promissory note issued to the Company's Chief Executive Officer during the year ended August 31, 2018. The Company reclassified $4,167 as a flow-through share premium liability (Note 8).

- On November 28, 2018, the Company completed a non-brokered private placement for an aggregate of 80,015 non-flow-through shares at a price of $0.25 per non-flow-through share for aggregate gross proceeds of $20,003. This amount was received during the year ended August 31, 2018.

- On November 28, 2018, the Company completed a non-brokered private placement for an aggregate of 100,001 flow-through shares at a price of $0.30 per flow through share for aggregate gross proceeds of $30,000 of which $20,000 was received during the year ended August 31, 2018. The Company reclassified $5,000 as a flow-through share premium liability (Note 8).

- On February 20, 2019, the Company issued 500,000 common shares with fair value of $125,000 for the White River Property (Note 5).

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (CONTINUED)

Stock options

The Company does not have a formal stock option plan, any historical grants of stock options occurred outside of any formal plan. Stock options to purchase common shares have been granted to executives, directors, and consultants at exercise prices determined by the Board of Directors at the time such stock options were granted. The Board of Directors also set vesting provisions, and maximum option life terms.

The changes in options during the years ended August 31, 2020 and 2019 are as follows:

	August 31, 2020		August 31, 2019	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, beginning of year	**1,050,000**	**0.25**	1,050,000	0.25
Granted	750,000	0.25	-	-
Balance, end of year	**1,800,000**	**0.25**	**1,050,000**	**0.25**

<u>During the year ended August 31, 2020</u>

- On November 28, 2019, the Company's Board of Directors approved a resolution to extend the expiry date of the options, which originally expired on March 20, 2020, to March 20, 2025.

  As a result of the modification, the Company remeasured the fair value of the options and recognized $136,386 amounts as share-based payments in the statement of loss and comprehensive loss immediately after the amendment.

- On November 28, 2019, the Company granted 750,000 options with an exercise price of $0.25 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

There were no options granted, exercised or expired during the years ended August 31, 2019.

The estimated grant date fair value of the options granted during the years ended August 31, 2020 calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	750,000
Risk-free interest rate	1.49%
Expected annual volatility	80%
Expected life (in years)	5.00
Expected dividend yield	0%
Grant date fair value per option ($)	0.16
Share price at grant date ($)	0.25

During the year ended August 31, 2020, the Company recognized share-based payments of $259,525 (2019 – $nil), of which $136,386 was related to the modification of the options discussed above (2019 – $nil).

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (CONTINUED)

Stock options (continued)

The following summarizes information about stock options outstanding and exercisable at August 31, 2020:

Expiry date	Exercise price ($)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
March 20, 2025	0.25	1,800,000	1,800,000	323,374	4.56

8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management includes executive officers and directors.

Key management personnel compensation

No management fees were paid during the years ended August 31, 2020 and 2019.

During the year ended August 31, 2020, the Company recognized share-based payments of 259,525 (2019 – $nil) for the options granted to the Company's officers and directors (Note 6).

Other related party transactions

- The Company paid $5,625 in wages (2019 – $3,213), $nil (2019 – $42,960) in consulting fees expensed to exploration and evaluation and $12,000 (2019 – $12,000) in rent to a consulting firm of which the Company's Chief Executive Officer is a partner. As at August 31, 2020, $119,111 (2019 – $87,843) was owed to companies controlled by the Chief Executive Officer.

- The Company incurred accounting and administrative fees of $16,939 (2019 – $10,225) with an accounting firm of which the Company's Chief Financial Officer is a partner, included in professional fees. As at August 31, 2020, $17,500 (2019 – $10,713) was owed to this partnership.

- The Company paid $3,978 (2019 – $5,966) in consulting fees expensed to exploration and evaluation to a company controlled by its VP Exploration. As at August 31, 2020, $9,944 (2019 – $7,955) was owed to this company.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Other related party transactions (continued)

- During the year ended August 31, 2020, the Company issued a non-interest-bearing promissory note with an amount of $47,908 (2019 – $10,000) to the Company's Chief Executive Officer. The promissory note is unsecured and payable on demand.

- During the year ended August 31, 2020, the Company issued 40,000 non flow-through shares at a price of $0.25 to settle the promissory note issued to the Company's Chief Executive Officer during the year ended August 31, 2019 (Note 6).

- During the year ended August 31, 2019, the Company issued 83,334 flow-through shares at a price of $0.30 to settle the promissory note issued to the Company's Chief Executive Officer during the year ended August 31, 2018 (Note 6).

- Subsequent to August 31, 2020, the Company issued 471,848 common shares with a value of $117,962 to settle certain balances owed to the related parties as of August 31, 2020.

9. COMMITMENTS

The Company periodically issues flow-through shares with any resulting flow-through premium recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of the flow-through premium is recorded as other income.

During the year ended August 31, 2020, the Company issued 100,000 flow-through shares (2019 –183,335) (Note 6). Based on Canadian tax law, the Company is required to spend the proceeds from the issuance of the flow-through shares on eligible exploration expenditures within two years from the date of issuance. If the Company is unable to meet this deadline, it will be subject to Part XII.6 taxes in accordance with the Canadian Income Tax Act.

A continuity of the flow-through share premium liability is as follows:

	August 31, 2020 $	August 31, 2019 $
Balance, beginning of the year	-	-
Liability incurred on flow-through shares issued	5,000	9,167
Settlement on expenditures made recorded as other income	(2,910)	(9,167)
Balance, end of year	**2,090**	-

10. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the exploration and evaluation of exploration and evaluation assets. All of the Company's exploration and evaluation assets are located in Canada.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its exploration and evaluation assets, acquire additional exploration interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components 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, issue debt, acquire or dispose of assets.

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

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the years ended August 31, 2020 and 2019.

12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and loan payable approximate their fair values due to the relatively short period to maturity of those financial instruments.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

As at August 31, 2020 and 2019, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1, 2 and 3 in the fair value hierarchy above.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)

Set out below are the Company's financial assets and financial liabilities by category:

	August 31, 2020	FVTPL $	Amortized costs $	FVTOCI $
ASSETS				
Cash	154	-	154	-
Accounts receivable	1,914	-	1,914	-
LIABILITIES				
Accounts payable and accrued liabilities	262,427	-	262,427	-
Loan payable	47,908	-	47,908	-

	August 31, 2019	FVTPL $	Amortized costs $	FVTOCI $
ASSETS				
Cash	3,162	-	3,162	-
Accounts receivable	2,716	-	2,716	-
LIABILITIES				
Accounts payable and accrued liabilities	206,526	-	206,526	-
Loan payable	10,000	-	10,000	-

Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to financial instruments fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and sales taxes receivable.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's sales taxes receivable consists of GST receivable from the government of Canada. The Company's maximum exposure to credit risk is the carrying value of its financial assets. Management believes that the credit risk related to its cash and sales taxes receivable is negligible.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

At August 31, 2020, the Company had cash of $154, accounts payable and accrued liabilities of $260,927 of which $117,962 was settled with the issuance of 471,848 common shares subsequent to August 31, 2020, and loan payable of $47,908. All accounts payable and accrued liabilities and loan payable are current.

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of August 31, 2020.

The Company's loan payable is not subject to interest rate risk as it is non-interest bearing.

Foreign Currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As at August 31, 2020, the Company is not exposed to currency risk as all transactions and balances are denominated in Canadian dollars.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on the results of operations due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020 $	2019 $
Loss for the year	(555,616)	(114,629)
Expected income tax (recovery)	(147,000)	(30,000)
Change in statutory, foreign tax, foreign exchange rates and other	-	(1,000)
Permanent differences	68,000	(3,000)
Share issue cost	(1,000)	(1,000)
Change in unrecognized deductible temporary differences	80,000	35,000
Total income tax expense (recovery)	-	-

(Expressed in Canadian Dollars)

13. INCOME TAXES (CONTINUED)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2020 $	Expiry Date Range	2019 $	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	762,000	No expiry date	516,000	No expiry date
Property and equipment	2,000	No expiry date	1,000	No expiry date
Share issue costs	10,000	2021	10,000	2020 to 2021
Non-capital losses available for future periods	541,000	2034 to 2040	480,000	2034 to 2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. SUBSEQUENT EVENTS

As discussed in Note 1, on December 31, 2020, the Company completed the Financings by issuing the following:

- issued 1,174,999 flow-through shares at a price of $0.30 per flow-through share for aggregate gross proceeds of $352,500; and
- issued 4,078,333 non-flow-through shares at a price of $0.25 per non-flow-through share for aggregate gross proceeds of $1,019,583.