NEW CAROLIN GOLD CORP.

Financial Statements
For the Years Ended October 31, 2019 and 2018

Crowe MacKay LLP
1100 - 1177 West Hastings St.
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of New Carolin Gold Corp.

Opinion

We have audited the financial statements of New Carolin Gold Corp. ("the Company"), which comprise the statements of financial position as at October 31, 2019 and October 31, 2018 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and October 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Company 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 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

- Management's Discussion and Analysis

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 is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 International Financial Reporting Standards, 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 Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the 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 statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 Keith L. Gagnon.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
February 28, 2020

	October 31, 2019 $	October 31, 2018 $
ASSETS		
Current Assets		
Cash	**480,411**	20,154
Amounts receivable	**330,032**	165,450
Prepaid expenses	**210,000**	32,683
	1,020,443	218,287
Exploration and evaluation assets (note 4)	**10,820,016**	10,290,709
Reclamation bonds (note 4)	**220,000**	220,000
	12,060,459	10,728,996
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**1,932,201**	1,705,544
Non-current liabilities		
Decommissioning provision (note 4)	**220,000**	220,000
	2,152,201	1,925,544
EQUITY		
Share capital (notes 5 and 6)	**18,502,976**	16,693,366
Reserves (notes 5 and 6)	**2,489,926**	2,456,853
Deficit	**(11,084,644)**	(10,346,767)
	9,908,258	8,803,452
	12,060,459	10,728,996

Nature of operations and going concern (note 1)
Commitments (note 10)
Subsequent events (note 13)

Approved on behalf of the board of directors on February 28, 2020

"Kenneth Holmes"
Kenneth Holmes
Director

"Robert P.Lunde"
Robert P. Lunde
Director

The accompanying notes are an integral component of these financial statements

	2019	2018
	$	$
EXPENSES		
Advertising and promotion	**37,399**	-
Consulting fees (note 7)	**277,368**	619,288
Directors fees	**34,000**	30,000
Filings and investor relations	**233,518**	515,654
General and administration	**52,434**	51,734
Insurance	**21,078**	16,970
Professional fees (note 7)	**85,591**	139,283
Loans payable interest and accretion	**-**	23,621
Penalties and other interest expense	**306**	1,858
Share-based payments (notes 6 and 7)	**-**	657,005
Loss Before Other Items	**(741,694)**	(2,055,413)
Other Items		
Gain on settlement of debt (note 4)	**-**	14,783
Interest income	**3,817**	3,687
Total Other Items	**3,817**	18,470
Net and comprehensive loss	**(737,877)**	(2,036,943)
Net loss per share		
Basic and diluted	**$ (0.02)**	$ (0.08)
Weighted average number of common shares outstanding – basic and diluted	**34,332,416**	24,022,998

The accompanying notes are an integral component of these financial statements

	Number of Shares	Share Capital $	Reserves $	Reserve warrants $	Deficit $	Total $
October 31, 2017	18,132,879	13,537,301	1,510,340	411,479	(8,309,824)	7,149,296
Shares issued in respect of flow-through financing	713,427	249,700	-	-	-	249,700
Shares issued in respect of private placement units	9,633,913	2,640,174	-	-	-	2,640,174
Shares issued for debt	86,957	15,217	-	-	-	15,217
Share issuance costs	-	(97,194)	-	34,947	-	(62,247)
Stock options exercised	750,000	348,168	(156,918)	-	-	191,250
Share-based payments	-	-	657,005	-	-	657,005
Net loss for the year	-	-	-	-	(2,036,943)	(2,036,943)
Balance, October 31, 2018	**29,317,176**	**16,693,366**	**2,010,427**	**446,426**	**(10,346,767)**	**8,803,452**
Shares issued in respect of private placement units	17,693,888	1,740,050	-	-	-	1,740,050
Share issuance costs	-	(105,440)	-	33,073	-	(72,367)
Shares issued for purchase of equipment	1,750,000	175,000	-	-	-	175,000
Net loss for the year	-	-	-	-	(737,877)	(737,877)
Balance, October 31, 2019	**48,761,064**	**18,502,976**	**2,010,427**	**479,499**	**(11,084,644)**	**9,908,258**

The accompanying notes are an integral component of these financial statements

	2019	2018
	$	$
Cash provided by (used in):		
Operating activities:		
Net loss for the year:	(737,877)	(2,036,943)
Items not involving cash:		
Share-based payments	-	657,005
Gain on settlement of debt	-	(14,783)
Changes in non-cash working capital:		
Prepaid expenses	(177,317)	(13,872)
Accounts receivable	115,728	(57,914)
Accounts payable and accrued liabilities	207,466	(210,269)
Cash flows used for operating activities	(592,000)	(1,676,776)
Investing activities:		
Investment in exploration and evaluation assets	(582,936)	(1,451,522)
Proceeds from sale of equipment	-	210,000
Purchase of equipment	(32,490)	-
Cash flows used for investing activities	(615,426)	(1,241,522)
Financing activities:		
Loans payable repayment	-	(193,204)
Issue of units and flow-through shares for cash	1,740,050	2,889,874
Stock options exercised	-	191,250
Share issuance costs.	(72,367)	(62,247)
Cash flows provided by financing activities	1,667,683	2,825,673
Increase (decrease) in cash	460,257	(92,625)
Cash, beginning of year	20,154	112,779
Cash, end of year	480,411	20,154

Supplemental cash flow information (note 11)

The accompanying notes are an integral component of these financial statements

1. Nature of operations and going concern

New Carolin Gold Corp. is a Canadian resource exploration and development company incorporated in British Columbia. The Company maintains its head office at Box 420, 800-15355 24th Ave, Surrey, BC V4A 2H9.

As at October 31, 2019, the Company holds a 100% interest in the Ladner Gold Project located in southwestern British Columbia. A large portion of the property is subject to a 2% net smelter return and a lesser portion of the property is subject to a 5% net profits interest.

Effective January 16, 2018, the Company completed a share consolidation on the basis of ten (10) pre-consolidation common shares for one (1) post-consolidation common share. All periods presented have been retrospectively adjusted to reflect this consolidation.

These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues from operations and has a significant working capital deficiency of $911,758 (2018 - $1,487,257). The continuing operations of the Company are dependent on its ability to obtain additional financing. As a result there exists a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. Management plans to obtain sufficient working capital from external financing to meet the Company's liabilities and commitments as they become due. The financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Basis of presentation

a) The Company prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB). These financial statements were approved for issue on February 28, 2020.

b) Basis of measurement

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

c) Use of judgments

The preparation of the financial statements, requires estimates and assumptions that affect the amounts reported in the financial statements. Significant areas where judgment is applied include the assessment of the Company's ability to continue as a going concern (note 1), the recoverability of the exploration and evaluation assets, the realization of deferred income taxes assets and the determination of whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment.

d) Critical accounting estimates

Significant estimates include the carrying value and recoverability of exploration and evaluation assets, inputs used in accounting for stock-based compensation and provisions for site restoration. Actual results could differ from our estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Significant accounting policies

a) Foreign currency translation

The financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss.

b) Financial instruments

The Company adopted all of the requirements of IFRS 9 – *Financial Instruments ("IFRS 9")* as of November 1, 2018. IFRS 9 replaces *IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading 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 liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at November 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification (measurement) IAS 39	New classification and measurement IFRS 9
Cash	FVTPL (FVTPL)	FVTPL
Trade receivable	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other liabilities (amortized cost)	Amortized cost
Reclamation bonds	Loans and receivables (amortized cost)	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on November 1, 2018.

3. Significant accounting policies (continued)

b) Financial instruments (continued)

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

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.

Impairment of financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

c) Exploration and evaluation assets

Exploration and evaluation expenditures

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation assets. Exploration expenditures relate to the initial search for deposits with economic potential and detailed assessments of deposits or other projects that have been identified as having economic potential.

3. **Significant accounting policies** (continued)

c) Exploration and evaluation assets (continued)

Exploration and evaluation expenditures (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Development

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as construction-in-progress and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in profit or loss in the period in which they are incurred.

Impairment of non-current assets

The carrying amounts of non-current assets are reviewed for impairment at each reporting date and whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Cash generating units are individual operating mines or exploration and development projects. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying value, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. In such cases, an impairment loss exists and is recorded as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Decommissioning and restoration provisions

The Company records a liability based on the best estimates of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate.

3. Significant accounting policies (continued)

d) Decommissioning and restoration provisions (continued)

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a liability based on estimated future cash flows required to discharge the liability discounted at a risk-free rate.

The restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate.

The restoration provision is also accreted to full value over time through periodic charges to profit or loss. The amount of the restoration provision initially recognized is capitalized as part of the related asset's carrying value and amortized to profit or loss. The method of amortization follows that of the underlying asset. The costs related to a restoration provision are only capitalized to the extent that the amount meets the definition of an asset and can bring about future economic benefit. A revision in estimates or a new disturbance will result in an adjustment to the liability with an offsetting adjustment to the related asset.

e) Provisions

Provisions for restructuring costs and legal claims, where applicable, are recognized when the Company has a present legal or constructive obligation as a result of past events. To recognize the provision, it must be probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. There are no provisions as at the financial statement date.

f) Current and deferred taxes

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest.

3. Significant accounting policies (continued)

g) Share-based payments (continued)

The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based payments is accrued and charged to operations using the graded method, with an offsetting credit to share-based payments reserve, over the vesting periods.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For stock options that are cancelled or that expire unexercised, the related share-based payments reserve remains as such.

h) Share capital and warrants

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value, which is the bid price of the shares on the date of issuance. When units are issued during a private placement, which include both common shares and share purchase warrants, the warrants are valued by comparing the total unit price to the fair value of the shares on the day of the announcement of the private placement. Any premium above the fair value of the shares issued would be allocated to the warrants and credited to the warrant reserve.

i) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon filing the renunciation of qualifying resource expenditures, the Company derecognizes the liability and the premium is recognized as other income. Once the renunciation is filed, the Company will recognize the deferred income tax liability.

j) Convertible debt

The face value of the non-derivative convertible loan is the cash received less the amount of financing fees paid to obtain the loan. The face value is then classified into its separate debt and equity components in the Company's financial statements by using the residual method where the liability is valued first. The liability portion represents the present value of term debt discounted using the discount rate that would have been applicable to a non-convertible debt. The equity component is determined as the residual value of the face value of the instrument less its liability component.

Over the term of the loan, the carrying value of the liability component is to be accreted to the principal amount using the effective interest-rate method. The corresponding interest and accretion is to be charged to profit or loss.

If the conversion option is exercised, the amount recorded in equity is transferred to share capital. If the conversion option is not exercised, the amount recorded in equity is reclassified to deficit.

3. **Significant accounting policies** (continued)

k) Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding in the period.

Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

The net effect of applying the treasury stock method to the weighted average number of shares outsatnding has an anti-dilutive effect for the years ended October 31, 2019 and 2018.

l) Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the *Mining Tax Act*. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits in the period when there is reasonable assurance with regard to collections and assessments and that the Company will comply with conditions associated with them.

m) New accounting standards adopted during the year

The Company adopted the following amendments during the year ended October 31, 2019 with no significant impact on its financial statements.

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The change did not impact the financial assets or liabilities upon adoption, see note 3. b).

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The change did not impact the financial statements upon adoption.

Amendments to IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. Significant accounting policies (continued)

m) New accounting standards adopted during the year (continued)

Amendments to IFRS 2 Share-based Payment (continued)

Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The change did not impact the financial statements upon adoption.

n) New pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the October 31, 2019 reporting period. Management has assessed that the adoption of the new and amended standards is not expected to have a significant impact on the Company's financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

4. Exploration and evaluation assets

	October 31, 2019	**October 31, 2018**
Acquisition costs		
Balance, beginning of the year	$3,884,511	$ 3,884,511
Total acquisition costs, end of the year	3,884,511	3,884,511
Exploration costs		
Balance, beginning of the year	6,406,198	4,701,085
Assay and analysis	-	26,881
Drilling	59,565	1,667,853
Geological and consulting	154,077	48,902
Property taxes	1,898	-
Site activities	387,729	234,755
Sale of equipment	-	(210,000)
Purchase of equipment	206,348	-
Government assistance	(280,310)	(63,278)
Total exploration costs, end of the year	6,935,505	6,406,198
Total exploration and evaluation assets, end of the year	**$10,820,016**	**$ 10,290,709**

Ladner Gold Project

In August, 2014, the Company entered into an acquisition agreement ("Agreement") to acquire all rights and title to the mineral claims comprising the Carolin Mine and associated Ladner gold properties, collectively known as the Ladner Gold Project (the "Project") then owned by or under option to Century Mining Corporation ("Century") and under a receivership order with Samson Belair / Deloitte & Touche Inc. ("Receiver"). The Company owned a historic 10% interest in the Project. During the year ended October 31, 2015, as part of the Agreement with and facilitated by the Receiver, the Company exercised Century's existing Tamerlane Option to complete the purchase of a 30% interest in the Ladner Gold Project, making the final payment to acquire Tamerlane's 30% interest. On closing, the Company then controlled a 40% interest in the Project.

4. Exploration and evaluation assets (continued)

Ladner Gold Project (continued)

In February, 2016, the Company and the Receiver amended the Agreement to reduce the amounts payable and the closing conditions in order to accelerate closing on the remaining 60% interest in the Project. On April 13, 2016, the Company completed the acquisition with the Receiver, acquiring the remaining 60% of the Ladner Gold Project, issuing 2,488,951 common shares to the Receiver and agreeing to grant and pay a 2% Net Smelter Returns royalty ("NSR") on the Project; and 35% of the profits earned and received by the Company from the sale of gold obtained by reprocessing the tailings presently existing on the Project.

The Company has 100% of the legal and beneficial ownership of the 144-square kilometer Ladner Gold Project contiguous land package, which includes the Carolin Mine. A large portion of the property is subject to a 2% net smelter return and a lesser portion of the property is subject to a 5% net profits interest.

In connection with the Project, the Company has a total of $220,000 placed with the Province of British Columbia in environmental and mining bonds. During the year ended October 31, 2017, the Company recognized a decommissioning provision of $220,000 equal to the value of the bonds. The timing of the settlement of the obligation cannot be reasonably determined at this time.

On May 1, 2018, the Company sold certain equipment for a price of $210,000 to help finance the cost of exploration. Additionally, on May 1, 2018, the Company signed an agreement to lease back the equipment for a cost of $150,000. The Company issued 86,957 shares with a fair value of $0.18 per share to a third party to satisfy equipment rental payments of $30,000, resulting in a gain on settlement of debt of $14,783. On September 6, 2019, the Company purchased equipment for a price of $200,000, comprised of a cash payment of $25,000 and the issuance of 1,750,000 shares at a deemed price of $0.10 per share.

Property option agreement with Crucible Resources Ltd.

On February 11, 2016, the Company entered into an option agreement with Crucible Resources Ltd. ("Crucible") to acquire the Warkentin Property, whereby the Company can acquire 20 mineral claims covering 30 square kilometers situated near the southern portion of the Ladner Gold Project, under the following terms:

a) Paying Crucible $32,000 (paid) in respect of settlement of the previous agreement and to secure the new Option;
b) The Company can acquire all 20 claims at any time for a total of $50,000 over five years;
c) Funds spent on exploration will be factored into the $50,000 acquisition purchase price; and
d) Crucible retains a 2% NSR, which the Company may purchase for $250,000 for the first 1% and $500,000 for the second 1%.

5. Share capital

a. Authorized

Unlimited common shares without par value.

b. Issued shares

As at October 31, 2019, the Company has 48,761,064 common shares outstanding (2018 – 29,317,176).

Share issuances during the year ended October 31, 2019

On September 25, 2019, the Company issued 1,750,000 common shares at a deemed price of $175,000 in connection with the purchase of previously lease operational equipment.

On August 27, 2019, the Company closed a non-brokered private placement and issued 15,233,889 units ("Units") at a price of $0.09 per Unit for gross proceeds of $1,371,050. Each Unit is comprised of one common share and one share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional common share at a price of $0.15 per share for a period of thirty-six months from closing.

5. Share capital (continued)

b. Issued shares (continued)

In connection with the private placement, the Company paid finder's fees in respect of subscribers introduced to the Company, which consisted of cash payments in the aggregate amount of $64,267 and the issuance of 449,750 broker warrants ("Broker Warrants") with each Broker Warrant entitling the holder to purchase one additional common share at a price of $0.15 per share. 414,750 Broker Warrants are exercisable until the date that is thirty-six months following the closing date. 15,000 Broker Warrants are exercisable until the date that is twenty-four months following the closing date and 20,000 Broker Warrants are exercisable until the date that is twelve months following the closing date.

On December 19, 2018, the Company issued 2,459,999 Units at a price of $0.15 per Unit for gross proceeds of $369,000. Each Unit consists of one common share of the Company and one share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional common share at a price of $0.25 per share for a period of twenty-four months from the date of closing. Finder's fees of $8,100 and finder's warrants totaling 54,000 warrants were paid on portions of the unit offering, exercisable until the date that is twelve months following the closing date.

Share issuances during the year ended October 31, 2018

During the year ended October 31, 2018, 750,000 stock options priced at $0.255 were exercised for gross proceeds of $191,250.

On October 30, 2018, the Company announced that it issued 86,957 shares with a fair value of $0.18 per share to a third party to satisfy equipment rental payments of $30,000, resulting in a gain on settlement of debt of $14,783.

On July 17, 2018, the Company issued 4,633,913 units ("Unit") at a price of $0.30 per Unit for gross proceeds of $1,390,174. Each Unit consists of one common share of the Company and one share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional common share at a price of $0.45 per share for a period of twelve months from the date of closing. Finder's fees of $18,247 and finder's warrants totaling 80,824 warrants were paid on portions of the unit offering. Each finder's warrant issued is for a period of twelve months and exercisable on the same terms as the Unit Warrants.

On February 8, 2018, the Company issued 5,000,000 units ("Unit) at a price of $0.25 per Unit for gross proceeds of $1,250,000. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to purchase one additional common share at a price of $0.35 per share for a period of two years from the date of closing. Finder's fees of $32,000 and finder's warrants totaling 80,000 warrants were paid on portions of the unit offering. Each finder's warrant was issued for a period of two years and exercisable on the same terms as the Unit Warrants.

On February 8, 2018, the Company issued 142,000 flow-through common shares at a price of $0.35 per flow through share for proceeds of $49,700. Finder's fees total $4,000 in cash were paid in connection with the flow through offering.

On December 29, 2017, the Company issued 571,427 flow-through common shares at a price of $0.35 per flow through share for proceeds of $200,000. Finder's fees total $8,000 in cash were paid in connection with the flow through offering.

Please refer to the Statement of Changes in Equity for a summary of changes in share capital for the years ended October 31, 2019 and 2018.

5. Share capital (continued)

c. Warrants

The following table summarizes the Company's warrant transactions:

	Number of warrants	Weighted average exercise price
Balance October 31, 2017	**5,417,126**	**$ 0.88**
Issued	7,294,737	0.41
Expired	(4,567,500)	0.89
Balance October 31, 2018	**8,144,363**	**0.46**
Issued	18,197,638	0.16
Expired	(5,486,353)	0.51
Balance October 31, 2019	**20,855,648**	**$ 0.19**

As at October 31, 2019, the following warrants were outstanding:

Warrants Outstanding	Exercise Price	Remaining Contractual Life	Number of Warrants Currently Exercisable
37,626	$ 0.80	0.03 years	37,626
40,384	0.65	0.15 years	40,384
2,580,000	0.35	0.27 years	2,580,000
2,459,999	0.25	1.14 years	2,459,999
54,000	0.25	0.13 years	54,000
15,648,639	0.15	2.82 years	15,648,639
15,000	0.15	1.82 years	15,000
20,000	0.15	0.82 years	20,000
20,855,648	**$ 0.19**	**2.29 years**	**20,855,648**

The fair value for the warrants issued to finders during the year ended October 31, 2019 was $33,073 which was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions for each issuance of warrants respectively: share price on issue date of $0.15/$0.13/$0.13/$0.13, exercise price of $0.25/$0.15/$0.15/$0.15, a risk free rate of 1.89%/1.23%/1.23%/1.23%, an expected life of 1 year/3 years/2 years/1 year, an expected annualized volatility of 121%/87.95%/95.57%/108.82%, and no expectation of dividend payments.

The fair value for the warrants issued to finders during the year ended October 31, 2018 was $34,947, which was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions for each issuance of warrants respectively: share price on issue date of $0.43/$0.34, exercise price of $0.35/$0.45, a risk free rate of 1.83%/1.91%, an expected life of 2 years/1 year, an expected annualized volatility of 120%/142%, and no expectation of dividend payments.

6. Share-based payments

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which provide that options granted under the Plan: 1) may in aggregate not exceed 10% of the Company's issued and outstanding common shares; 2) can have a maximum term of five (5) years; and 3) must be granted with an exercise price of not less than the market price of the shares (the closing market price on the last day shares are traded prior to the grant date).

6. Share-based payments (continued)

The following table summarizes the Company's stock option transactions:

	Number of options	Weighted average exercise price
Balance October 31, 2017	1,675,000	$ 0.70
Granted	2,415,000	0.33
Cancelled/forfeited	(545,000)	0.85
Exercised	(750,000)	0.255
Balance October 31, 2018	**2,795,000**	**0.48**
Cancelled / forfeited	(181,500)	0.50
Balance October 31, 2019	**2,613,500**	**$ 0.48**

The following table summarizes the stock options outstanding at October 31, 2019:

Options Outstanding	Exercise Price	Remaining Contractual Life	Number of Options Currently Exercisable
85,000	$ 0.50	0.19 years	85,000
43,500	0.50	0.42 years	43,500
70,000	0.50	0.64 years	70,000
265,000	0.85	1.48 years	265,000
45,000	1.10	1.62 years	45,000
50,000	0.90	1.75 years	50,000
50,000	0.60	2.18 years	50,000
340,000	0.70	2.22 years	340,000
440,000	0.40	3.37 years	440,000
825,000	0.30	3.58 years	825,000
400,000	0.35	3.76 years	400,000
2,613,500	**$ 0.48**	**2.84 years**	**2,613,500**

During the year ended October 31, 2018, there were 2,415,000 stock options granted by the Company. Using the assumptions below, the fair value of options granted and vested during the year ended October 31, 2018 was $657,005.

On January 17, 2018, the 750,000 stock options granted by the Company were calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on grant date of $0.255, exercise price of $0.255, a risk-free rate of 0.69%, an expected life of 5 years, an expected annualized volatility of 120% and no expectation of dividends payments. These options were exercised during the nine months ended July 31, 2018 for gross proceeds of $191,250.

On March 13, 2018, the 440,000 stock options granted by the Company were calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on grant date of $0.40, exercise price of $0.40, a risk-free rate of 1.99%, an expected life of 5 years, an expected annualized volatility of 142% and no expectation of dividends payments.

On May 31, 2018, the 825,000 stock options granted by the Company were calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on grant date of $0.30, exercise price of $0.30, a risk-free rate of 2.11%, an expected life of 5 years, an expected annualized volatility of 141% and no expectation of dividends payments.

On August 3, 2018, the Company granted 400,000 stock options priced at $0.35 per share expiring August 2, 2023, of which 350,000 options were issued to a director of the Company.

7. Related party transactions

At October 31, 2019, included in accounts payable and accrued liabilities is $233,056 (2018 – $146,203) owed to current and former officers and directors for consulting fees and reimbursement of expenses. Amounts due to/from related parties are non-interest bearing, unsecured and have no fixed terms of repayment unless otherwise noted. Fair value cannot be readily determined.

Key management includes the Company's directors and officers. Compensation awarded to key management includes:

	October 31, 2019	October 31, 2018
Consulting fees, director fees, and professional fees	$ 258,455	$ 504,500
Share-based payments	-	216,664
	$ 258,455	$ 721,164

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

8. Capital disclosures

The Company's objectives when managing capital are to:

(i) Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
(ii) Continue the development and exploration of its resource property; and
(iii) Support expansion plans.

In the management of capital, the Company includes shareholders' equity, term loans and the current portion of loans, if any.

The Company manages its capital structure and makes adjustments to it when the economic and risk conditions of the underlying assets require change. In order to maintain or adjust the capital structure, the Company may issue new shares or issue new debt. The Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operations and growth objectives. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed restrictions.

9. Financial instruments and risk management

<u>Fair value</u>

The Company categorizes its fair value measurements for financial assets and financial liabilities at fair value according to a three level hierarchy which prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the overall fair value measurement. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

Level 1: Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Company did not have any financial instruments carried at fair value at October 31, 2019 and 2018.

9. Financial instruments and risk management (continued)

Risk management

The Company is exposed, in varying degrees, to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management procedures are established to identify and analyze the risks faced by the Company.

The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk: Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's cash is deposited at a high credit-worthy financial institution. All of the Company's amounts receivable is with the federal government of Canada and the reclamation bonds are with the provincial government of British Columbia.

Market risk: Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently hold any financial instruments that mitigate this risk.

Liquidity risk: Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company expects to satisfy current obligations of $1,932,201 (2018 - $1,705,544) by continuing to finance its activities by raising funds from private equity investments. Even if it has succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and believes that liquidity risk is high. At October 31, 2019, the Company's accounts payable and accrued liabilities are due on demand or within 30 days.

10. Commitments

Flow-through share subscription agreements

The Company entered into flow-through share subscription agreements during the year ended December 31, 2008 whereby it was committed to incur on or before December 31, 2009 a total of $600,000 of qualifying Canadian Exploration Expenses ("CEE") as described in the Income Tax Act of Canada, of which $290,723 was not fulfilled. An amount totaling $187,400 has been accrued for the indemnification of shareholders for taxes and penalties related to the unspent portion of the commitment.

The Company entered into flow-through share subscription agreements during the year ended December 31, 2009 whereby it was committed to incur on or before December 31, 2010 a total of $575,000 of qualifying CEE, of which $113,764 was not fulfilled. An amount totaling $70,800 has been accrued for the indemnification.

In addition, Part XII.6 taxes and related interest and penalties of $116,600 were accrued on the unfulfilled commitments.

During the year ended October 31, 2018, the Company raised $249,700 from flow-through financing, of which $249,700 has been incurred on qualifying CEE during the year, and $nil is left to be spent by December 31, 2018.

11. Supplemental cash flow information

		October 31, 2019		October 31, 2018
Cash paid during the period for interest	**$**	**-**	$	25,479
Cash received during the period for interest	**$**	**2,940**	$	3,687

Non-cash financing transactions:		**October 31, 2019**		October 31, 2018
Shares issued for debt	**$**	**-**	$	15,217
Shares issued for equipment purchase	**$**	**175,000**	$	-
Warrants issued to finder	**$**	**33,073**	$	34,947

Included in accounts payable and accrued liabilities is $1,088,185 (2018 - $1,068,994) related to investment in exploration and evaluation assets.

12. Income taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

		2019		**2018**
Loss for the year before taxes	$	(737,877)	$	(2,036,943)
Statutory Canadian corporate tax rate		27.00%		26.83%
Anticipated tax expense (recovery)	$	(199,227)	$	(546,580)
Difference resulting from:				
Items not deductible for tax purposes		94		178,534
Effect of tax rate change		-		(16,122)
Tax benefits not recognized		199,133		384,168
Deferred income tax recovery	$	-	$	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

		October 31, 2019		**October 31, 2018**
Non-capital loss carry forwards	$	2,197,000	$	1,977,000
Exploration and development deductions		(1,379,000)		(1,380,000)
Decommissioning provision		59,000		59,000
Share issue costs and other		48,000		46,000
		925,000		702,000
Unrecognized deferred tax assets		(925,000)		(702,000)
Net deferred tax asset	$	-	$	-

12. Income taxes (continued)

The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized the non-capital losses in the amount of $8,139,000 expire as follows:

2029	$	959,000
2030		356,000
2031		325,000
2032		926,000
2033		600,000
2034		390,000
2035		520,000
2036		993,000
2037		842,000
2038		1,420,000
2039		808,000
Total	$	8,139,000

At October 31, 2019, the Company has unclaimed resource deductions in the amount of $5,598,000 (2018 - $4,839,000) which may be deducted against future taxable income on a discretionary basis.

13. Subsequent events

a) On February 8, 2020, 2,580,000 warrants, exercisable at a price of $0.35 per warrant share, expired unexercised.

b) On November 10, 2019, 37,626 warrants, exercisable at a price of $0.80 per warrant share, expired unexercised.

c) On December 23, 2019, 40,384 warrants, exercisable at a price of $0.65 per warrant share, expired unexercised.

d) On January 8, 2020, 85,000 stock options exercisable at a price of $0.50 per share, expired unexercised.