

**ARCPACIFIC RESOURCES CORP.**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**APRIL 30, 2020 AND 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**

### **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

**ARCPACIFIC RESOURCES CORP.**  
**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS AT APRIL 30, 2020 AND APRIL 30, 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	<b>APRIL 30, 2020 (unaudited)</b>	<b>January 31, 2020 (audited)</b>
<b>ASSETS</b>		
Current		
Cash	\$ 150,974	\$ 239,383
Tax recoverable	4,084	9,021
Prepaid expenses and deposits	67,500	67,500
	222,558	315,904
Exploration and evaluation assets (Note 4)	43,353	43,353
	\$ 265,911	\$ 359,257
<b>LIABILITIES</b>		
Current		
Accounts payable (Note 5)	\$ 370,596	\$ 340,835
Loan payable (Note 6)	51,500	91,500
	422,096	432,335
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 7)	3,653,807	3,654,955
Contributed surplus (Note 7)	678,096	678,095
Deficit	(4,488,088)	(4,406,128)
	(156,185)	(73,078)
	\$ 265,911	\$ 359,257

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Authorized for issuance on behalf of the Board on July 15, 2020:

/s/ "Nizar Bharmal" Director

/s/ "Ken Chung" Director

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

**ARCPACIFIC RESOURCES CORP.**  
**CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED APRIL 30, 2020 AND 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

	<b>Three months ended April 30, 2020</b>	<b>Three months ended April 30, 2019</b>
<b>Expenses</b>		
Consulting fees	67,000	\$ 18,000
Investor communications	(1,990)	-
Management fees (Note 5)	2,000	3,000
Office and miscellaneous	3,355	2,475
Professional fees	2,500	9,000
Rent	3,000	1,500
Transfer agent and filing fees	6,095	6419
<b>Net loss and comprehensive loss</b>	<b>(81,960)</b>	<b>\$ (40,394)</b>
<b>Loss per share (basic and diluted)</b>	<b>(0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>20,266,154</b>	<b>10,370,154</b>

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

**ARCPACIFIC RESOURCES CORP.**  
**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**  
**FOR THE THREE MONTHS ENDED APRIL 30, 2020 AND 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

	Common Shares		Contributed Surplus	Deficit	Total
	Number of Shares	Amount \$			
Balance, January 31, 2019	10,370,154	3,221,795	633,362	(4,132,952)	(277,795)
Shares issued for:					
Private placements	6,760,000	258,714	79,286	-	338,000
Debt Settlements	3,136,000	235,200	(65,000)	-	170,200
Share issuance costs	-	(39,669)	-	-	(39,669)
Agent warrants issued	-	(21,085)	21,085	-	-
Share-based payments	-	-	9,362	-	9,362
Comprehensive loss	-	-	-	(273,176)	(273,176)
Balance, January 31, 2020	20,266,154	3,654,955	678,095	(4,406,128)	(73,078)
Share Issuance costs	-	(1,147)	-	-	(1,147)
Comprehensive loss	-	-	-	(81,960)	(81,960)
<b>Balance, April 30, 2020</b>	<b>20,266,154</b>	<b>3,653,808</b>	<b>678,095</b>	<b>(4,488,088)</b>	<b>(156,185)</b>

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

**ARCPACIFIC RESOURCES CORP.  
CONDENSED INTERIM STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED APRIL 30, 2020 AND 2019  
(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

	<b>Three months ended April 30, 2020</b>	<b>Three months ended April 30, 19</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (81,960)	\$ (66,665)
Changes in non-cash working capital balances:		
Amounts receivable	4,937	(851)
Prepaid expenses and deposits	-	6,000
Accounts payable and accrued liabilities	29,761	26,738
	<u>(47,262)</u>	<u>(34,778)</u>
<b>FINANCING ACTIVITY</b>		
Payment on loan payable	(40,000)	35,000
Share Issuance costs	(1,147)	-
	<u>(41,147)</u>	<u>35,000</u>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>(88,409)</b>	<b>222</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>239,383</b>	<b>31,662</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 150,974</b>	<b>\$ 31,884</b>

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

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**ARCPACIFIC RESOURCES CORP.**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED APRIL 30, 2020 AND 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**(UNAUDITED)**

1. NATURE AND CONTINUANCE OF OPERATIONS

ArcPacific Resources Corp. (the "Company") was incorporated pursuant to the British Columbia Business Corporations Act on February 1, 2011. The Company changed its name to ArcPacific Resources Corp. on December 21, 2016. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "ACP".

The address of the Company's corporate office and its principal place of business is 1001-1166 Alberni Street, Vancouver, British Columbia, Canada V6E 3Z3.

The principal business of the Company is the identification, evaluation and acquisition of mineral properties in Canada. At April 30, 2020, the Company owned a 100% interest in the Lucky Mike Mineral Property (the "Property"). The Company has not yet determined whether the Lucky Mike Property may contain a mineral resource that may eventually be economically recoverable. The economic viability of the Property will depend on the establishment of an ore reserve, the confirmation of the Company's interest in the mineral claims and the ability of the Company to obtain the necessary financing to complete its development and place it into commercial production.

These consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future. The Company has incurred losses since its inception and had an accumulated deficit of \$4,488,088 and a working capital deficiency of \$199,538 at April 30, 2020. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. These factors give rise to a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. These condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all financial information required for full annual financial statements and should be read in conjunction with the Audited Financial Statements of the Company for the year ended January 31, 2019.

The consolidated interim financial statements were authorized for issue by the Board of Directors on July 9, 2020.

b) Functional currency

The functional and presentation currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, US West LNG Corp., a Company incorporated in British Columbia. All inter-company balances and transactions have been eliminated upon consolidation.

b) Measurement basis

The consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3(l). In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Significant accounting estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience, current and future economic conditions and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Estimate and underlying assumptions are reviewed on an ongoing basis and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods if the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Critical accounting estimates*

- i. the inputs used in accounting for share-based payments; and
- ii. the inputs used in determining the recoverable amount of assets that are considered impaired.

*Critical accounting judgments*

- i. the evaluation of the Company's ability to continue as a going concern;
- ii. the determination of the categories of financial assets and financial liabilities;
- iii. the assessment of indicators of impairment of exploration and evaluation assets and related determination and write-down of the assets, where applicable;
- iv. the determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets; and
- v. the recognition of provisions for decommissioning, restoration, rehabilitation and environmental obligations.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Deferred finance costs

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

e) Exploration and evaluation assets

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

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

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

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

When properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain in profit or loss.

Recorded costs of exploration and evaluation costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Payments on property option agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis. The Company's entitlement to mineral exploration tax credits are recognized when the amount can be measured reliably and it is probable that the economic benefit will flow to the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of non-financial assets

The carrying amounts of the Company's exploration and evaluation assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash-generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in arm's length transaction between knowledgeable and willing parties, less the costs of disposal. 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. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

g) Provisions

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

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provisions are made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning provisions are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Government assistance

British Columbia ("B.C.") mining exploration tax credits for certain exploration expenditures incurred in B.C. are recognized as a reduction of the exploration and development costs of the respective mineral property upon when the amount can be measured reliably and it is probable that the economics will flow to the Company.

i) Basic and diluted loss per share

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

j) Income taxes

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

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

k) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

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**ARCPACIFIC RESOURCES CORP.**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED APRIL 30, 2020 AND 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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**(UNAUDITED)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Change in accounting policies

Financial instruments

The Company has adopted IFRS 9 *Financial Instruments* ("IFRS 9") as of February 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.

(i) 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 February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash	FVTPL	FVTPL
Accounts payable	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on February 1, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Change in accounting policies (continued)

Financial instruments (continued)

(ii) Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

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 transactions costs expensed in the statements of net income (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 net income (loss) in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset 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's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) 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 the statements of net income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net income (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Change in accounting policies (continued)

Share-based payments

The Company adopted all of the requirements of IFRS 2 *Share-based Payments* ("IFRS 2") as of February 1, 2018. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The adoption of this standard has no material impact on the Company's financial statements.

Revenue from contracts with customers

The Company adopted all of the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as of February 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As the Company has no revenue, no impact on the Company's financial statements has resulted.

Leases

The Company adopted all of the requirements of IFRS 16 *Leases* as of February 1, 2019. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarity to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for annual periods beginning February 1, 2019, with earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. The adoption of this standard has no material impact on the Company's financial statements.

#### 4. EXPLORATION AND EVALUATION ASSETS

##### Lucky Mike Mineral Project, British Columbia

On July 20, 2011, the Company entered into an Option Agreement (the "Lucky Mike Agreement") with a non-related third party (the "Optionor"). The Lucky Mike Agreement was amended on September 13, 2012 and subsequently amended on November 14, 2013. The Company was granted an exclusive option to acquire a 100% interest in certain mineral claims located in the Nicola Mining Division, British Columbia. The claims consist of 29 contiguous mineral claims comprising 6,085.74 hectares. In order to earn its option, the Company paid \$55,000 in cash, issued 33,333 common shares valued at \$30,000 to the Optionor and incurred \$900,000 in exploration work.

In accordance with the terms of the Lucky Mike Agreement, the Optionor will retain a 2% net smelter returns royalty (the "NSR") in respect of the Property. The Company has the option to purchase the NSR for \$1,000,000 at any time during a five-year period commencing from the date of commercial production.

On September 24, 2014, the Company entered into an Agreement (the "Farm Out Agreement") as amended on June 14, 2016 with two Korean-registered companies, namely, Nexgeo Inc. ("Nexgeo") and Korea Resources Corporation ("Kores"), whereby both companies (the "Consortium") would jointly contribute expenditures in the exploration of the Lucky Mike property thereby earning a right to acquire a 69% interest in the Lucky Mike Project (the "Project") under the following terms:

- a. An aggregate of \$500,000 (the "First Exploration Contribution") to fund an initial work program for the Project, which has been approved by the Consortium. The Consortium must pay \$250,000 to the Company no later than September 5, 2014 (received) and \$100,000 to the Company no later than September 30, 2014 (received). The balance of \$150,000 (received) must be paid upon completion of drilling at the Project site pursuant to an initial work program;
- b. An additional \$1,104,824 (the "Second Exploration Contribution") (received) to fund at least one work program for the Project approved by the Consortium, which must be undertaken and completed by the Company during the period from January 1, 2015 to December 31, 2015; and
- c. An additional \$800,000 (the "Third Exploration Contribution") (received) to fund at least one work program for the Project approved by Consortium, which must be undertaken and completed by the Company during the period from January 1, 2016 to December 31, 2016.

Upon completion of the work program under the Third Exploration Contribution, the Company would transfer to the Consortium a 69% interest in the Project.

The Consortium has the right at any time to exercise an Off-Ramp Option during the term of the Farm Out Agreement and/or within 30 days after receiving an official technical report on the most recently completed work program during the period from January 1, 2016 to December 31, 2016, at its own discretion by giving 30 days written notice to the Company, and upon exercise of the Off-Ramp Option, this Farm Out Agreement and all rights and obligations of the parties under the agreement would terminate ("Off-Ramp Option").

If, after making the Third Exploration Contribution, the Consortium exercises the Off-Ramp Option then this Farm Out Agreement and the Consortium would be deemed to have renounced all its rights or interest in the Project and would have no right to acquire any portion of any interest in the Project and would have no further obligations or liabilities to the Company.

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4. EXPLORATION AND EVALUATION ASSETS (continued)

Lucky Mike Mineral Project, British Columbia (continued)

Upon the Consortium acquiring 69% interest in the Project, this Farm Out Agreement will terminate and the parties will form a joint venture (the "Joint Venture") for the purpose of carrying out all such acts which are necessary or appropriate, directly or indirectly, to hold the Project, explore the Project for minerals, and if feasible develop a mine thereon, and so long as it is feasible, operate such mine and exploit the mineral extracted from the Project.

On August 4, 2017, the Company executed a deed of release and amendment on the Farm Out Agreement with the Consortium to release Nexgeo from the joint exploration agreement and to transfer its 13% interest in the Lucky Mike Project to the Company in consideration of shares of the Company. During the year ended January 31, 2019, the Company's ownership of the Lucky Mike property has increased from 31% to 44% (see Note 7).

On August 3, 2018, the Company amended the agreement with Kores to extend Kores' right of first refusal with respect to the Lucky Mike Project by a period of one year. Pursuant to the amending agreement, Kores held the right to acquire a 56% interest in the Project until August 3, 2019. During the quarter ended April 30, 2020, Kores opted not to exercise the right. As a result, the Company's ownership of Lucky Mike property has increase to 100%.

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

	\$
Acquisition costs:	
Balance, January 31, 2018	73,267
Shares issued for acquisition costs	34,856
Balance, January 31, 2019 and July 31, 2019	108,123
Deferred exploration expenditures:	
Balance, January 31, 2019 and July 31, 2019	(64,770)
Total costs, January 31, 2019 and July 31, 2019	34,856
Total costs January 31, 2020 and April 30, 2020	43,353

5. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The following is a summary of balances and transactions with the Chief Executive Officer ("CEO") and a company with a common director of the Company:

	April 30, 2020 \$	January 31, 2020 \$
Amounts included in accounts payable	21,800	19,800

The amounts due to directors or to companies they control are non-interest bearing, unsecured and due on demand.

The following is a summary of transactions with an officer of the Company:

	three months ended April 30, 2020 \$	2019 \$



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Management fees	2,000	6,000
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5. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

Key management includes directors and key officers of the Company, including President, Chief Executive Officer and Chief Financial Officer. The remuneration of key management personnel during the six months ended July 31, 2019 and 2018 is summarized below:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<u>Key management compensation</u>		
Management fees	6,000	6,000

6. LOAN PAYABLE

As at April 30, 2020, the loan payable of \$51,500 (April, 30 2019 - \$111,000) was due to an arm's-length party. The loan is unsecured, non-interest bearing and due on demand.

7. SHARE CAPITAL

Authorized:

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

Issued and outstanding:

As at April 30, 2020, the issued share capital is comprised of 20,266,154 (April 30, 2019 - 10,370,154) common shares.

On February 22, 2018, the Company acquired Nexgeo's 13% interest in the Lucky Mike Project by issuing 774,583 common shares of the Company with fair value of \$34,856 (see Note 4).

On August 23, 2018, the Company closed a non-brokered private placement of 2,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$100,000.

For the three months ended April 30, 2020, the Company had no share capital transactions.

Stock options

On January 18, 2017, the Company granted 350,000 stock options to directors, officers and consultants of the Company. The options vested on the grant date, are exercisable to purchase the common shares of the Company at \$0.06 per share and expire on January 18, 2019. The fair value of the options granted was \$23,942 and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	<b>2017</b>
Share price at grant date	\$0.08
Risk-free interest rate	0.72%
Exercise price	\$0.06
Expected dividend yield	-
Expected stock price volatility	194%
Expected life in years	2

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7. SHARE CAPITAL (continued)

Stock options (continued)

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") approved by the directors on May 28, 2012 which complies with the rules and policies of the TSX Venture Exchange. Under the Plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company at the time of the granting of options. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless otherwise specified by the Board of Directors.

A summary of the Company's stock options is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price (\$)</b>
Outstanding and exercisable, January 31, 2018	350,000	0.06
Expired	(350,000)	(0.06)
Outstanding and exercisable, January 31, 2019	-	-
Granted	500,000	0.075
Outstanding and exercisable, April 30, 2020	500,000	0.075

8. MANAGEMENT OF CAPITAL

The Company defines capital as debt and all accounts in equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern.

As at April 30, 2020, the Company had capital resources consisting of cash. 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 will continue to rely on capital markets to support continued growth. The Company is not subject to any externally imposed capital requirement.

9. FINANCIAL INSTRUMENT AND FINANCIAL RISK

The Company's financial instruments include cash, accounts payable and loan payable. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Fair value of financial instruments

IFRS 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) 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

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Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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9. FINANCIAL INSTRUMENT AND FINANCIAL RISK (continued)

Fair value of financial instruments (continued)

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

As at April 30, 2020

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	150,974	-	-	150,974

Financial risk management objectives and policies:

The Company's financial instruments include cash, accounts payable and loan payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash, the Company places the instrument with a high credit quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at July 31, 2019, the Company had cash of \$50,461 to settle current liabilities of \$455,200 which fall due for payment within 12 months.