Blue Star Gold Corp.

Consolidated Financial Statements

For the years ended November 30, 2019 and 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BLUE STAR GOLD CORP.

Opinion

We have audited the accompanying consolidated financial statements of Blue Star Gold Corp. (the "Company"), which comprise:

- the consolidated statements of financial position as at November 30, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has a working capital deficiency of $1,005,653 as at November 30, 2019 and, as of that date, the Company has a deficit of $9,133,860. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists 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 of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 11, 2020

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BLUE STAR GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at November 30,

	Notes	2019	2018
ASSETS			
Current			
Cash		$ 94,725	$ 15,137
Advances and deposits		33,491	16,702
GST receivable		94,601	6,779
Deferred financing charges	11	222,380	-
Total current assets		445,197	38,618
Long-term deposits	6	875,000	7,829
Equipment	7	713	2,422
Exploration and evaluation assets	8	4,992,290	2,546,087
Total assets		$ 6,313,200	$ 2,594,956
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 582,511	$ 73,123
Due to related parties	9	376,185	309,005
Loans payable – short term	10	213,524	-
Convertible debentures – short term	9, 11	278,630	-
Total current liabilities		1,450,850	382,128
Loans payable – long term	9, 10	881,130	200,000
Convertible debentures – long term	9, 11	2,072,054	-
Total liabilities		4,404,034	582,128
Shareholders' equity			
Share capital	12	8,964,629	8,964,629
Obligation to issue shares	10, 11	187,420	-
Equity component of convertible debentures	11	580,294	-
Reserves - options	12	1,203,705	686,244
Reserves - warrants	12	106,978	106,978
Deficit		(9,133,860)	(7,745,023)
Total shareholders' equity		1,909,166	2,012,828
Total liabilities and shareholders' equity		$ 6,313,200	$ 2,594,956

Nature of operations and going concern (Notes 1 and 2)
Commitments (Note 14)
Events subsequent to the reporting period (Note 16)

Approved and authorized by the Board of Directors on March 11, 2020.

Ken Yurichuk, Director　　　　Robert Metcalfe, Director

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

BLUE STAR GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
For the years ended November 30,

	Notes	2019	2018
EXPENSES			
Accretion and interest	10, 11	$ 222,419	$ -
Amortization	7	1,709	1,708
Bad debts		-	1,000
Insurance		34,501	20,000
Investor and shareholder relations		259,770	73,615
Office and miscellaneous		24,980	14,694
Professional fees	9	194,930	92,046
Property investigation		2,272	2,286
Regulatory and transfer agent fees		25,250	17,335
Rent and administrative services		65,076	39,291
Share-based compensation	9, 12	517,461	-
Salaries	9	331,399	365,299
Travel and entertainment		32,925	2,991
Impairment of exploration and evaluation assets	8	-	30,000
Loss and comprehensive loss for the year before income tax		(1,712,692)	(660,265)
Deferred income tax recovery	15	323,855	-
Loss and comprehensive loss for the year		$ (1,388,837)	$ (660,265)
Basic and diluted loss per common share		$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding		129,600,304	121,109,095

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

BLUE STAR GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital							
	Number	Amount	Obligation to issue shares	Equity component of convertible debentures	Reserves - options	Reserves - warrants	Deficit	Total
Balance, November 30, 2017	98,900,304	$ 7,481,689	$ -	$ -	$ 686,244	$ 106,978	$ (7,084,758)	$ 1,190,153
Private placement	30,700,000	1,535,000	-	-	-	-	-	1,535,000
Share issuance costs	-	(52,060)	-	-	-	-	-	(52,060)
Loss for the year	-	-	-	-	-	-	(660,265)	(660,265)
Balance, November 30, 2018	129,600,304	8,964,629	-	-	686,244	106,978	(7,745,023)	2,012,828
Obligation to issue finders' shares	-	-	25,200	-	-	-	-	25,200
Obligation to issue bonus shares on loans	-	-	162,220	-	-	-	-	162,220
Convertible debentures	-	-	-	580,294	-	-	-	580,294
Share-based compensation	-	-	-	-	517,461	-	-	517,461
Loss for the year	-	-	-	-	-	-	(1,388,837)	(1,388,837)
Balance, November 30, 2019	129,600,304	$ 8,964,629	$ 187,420	$ 580,294	$ 1,203,705	$ 106,978	$ (9,133,860)	$ 1,909,166

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

BLUE STAR GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
For the years ended November 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,388,837)	$ (660,265)
Items not affecting cash:		
Accretion and interest	222,419	-
Amortization	1,709	1,708
Impairment of exploration and evaluation assets	-	30,000
Share-based compensation	517,461	-
Deferred income tax recovery	(323,855)	-
Changes in non-cash working capital items:		
Advances and deposits	(8,960)	4,304
GST receivable	(87,822)	15,504
Accounts payable and accrued liabilities	107,925	(219,597)
Due to related parties	(57,820)	(162,017)
Net cash used in operating activities	(1,017,780)	(990,363)
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation deposits	(825,000)	-
Long term deposits	(50,000)	-
Exploration and evaluation expenditures	(1,919,740)	(673,904)
Net cash used in investing activities	(2,794,740)	(673,904)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	-	1,535,000
Share issuance costs	-	(52,060)
Proceeds from convertible debentures	3,000,000	-
Convertible debentures issuance costs	(107,892)	-
Proceeds from loans payable	1,000,000	200,000
Net cash provided by financing activities	3,892,108	1,682,940
Change in cash during the year	79,588	18,673
Cash (bank indebtedness), beginning of year	15,137	(3,536)
Cash, end of year	$ 94,725	$ 15,137
SUPPLEMENT NON-CASH DISCLOSURES		
Exploration and evaluation assets included in accounts payable and accrued liabilities	$ 409,221	$ 7,758
Exploration and evaluation assets included in due to related parties	$ 287,003	$ 162,003
Obligation to issue shares included in convertible debenture issue costs	$ 25,200	$ -
Deferred financing costs included in convertible debentures – short term	$ 222,380	$ -
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

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

1. Nature of Operations

Blue Star Gold Corp. ("Blue Star" or the "Company") was incorporated on April 13, 2007 pursuant to the *Business Corporations Act* of British Columbia. Effective January 18, 2019, the Company changed its name from WPC Resources Inc. to Blue Star Gold Corp. The Company's principal business activity is the acquisition and exploration of mineral property interests. The Company is in the exploration stage and substantially all the Company's efforts are devoted to financing and developing these property interests. There has been no determination whether the Company's interests in unproven exploration and evaluation assets contain economically recoverable mineral resources.

The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "BAU", and its corporate head office is located at 1125 - 595 Howe Street, Vancouver, British Columbia V6C 2T5.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements.

Effective December 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard. As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets and impairment thereon as described in Note 3.

These consolidated financial statements were authorized by the Board of Directors on March 6, 2020.

b) Going concern

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of its resource properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. As at November 30, 2019, the Company has an accumulated deficit of $9,133,860 (2018 - $7,745,023) and has a working capital deficiency of $1,005,653 (2018 - $343,510) and has incurred significant losses. These circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The recovery of amounts capitalized for exploration and evaluation assets at November 30, 2019 and 2018 in the consolidated statement of financial position is dependent upon the ability of the Company to arrange appropriate financing to complete the development and continued exploration of the properties. The Company plans to raise funds primarily through the issuance of shares or obtain profitable operations. The outcome of these matters cannot be predicted at this time.

2. Basis of Presentation (continued)

c) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Ulu Mining Inc. and Inukshuk Exploration Incorporated ("Inukshuk"), both incorporated under the laws of British Columbia. Ulu Mining Inc. was incorporated on November 27, 2019. These consolidated financial statements include the operating results of Ulu Mining Inc. from the date of incorporation through to November 30, 2019. All significant intercompany transactions have been eliminated upon consolidation. A subsidiary is an entity that the Company controls, either directly or indirectly. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

d) Functional and presentation currency

The Company and its wholly owned subsidiaries' reporting and functional currency is the Canadian dollar. Monetary assets and liabilities of the Company are translated into Canadian dollars at the exchange rate in effect on the consolidated statements of financial position date, while non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the average rates over the reporting period. Gains and losses from these translations are included in profit or loss.

e) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

f) Estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows.

Critical accounting estimates

i. Recognition of deferred taxes

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

ii. Share-based compensation

Estimating the fair value of granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected rate of forfeitures, expected life, price volatility, interest rate and dividend yield. Changes in the input assumptions can materially affect the fair value estimate of the Company's earnings and reserves.

2. Basis of Presentation (continued)

f) Estimates and judgments (continued)

Critical accounting estimates (continued)

iii. Interest rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debentures and loans payable. The determination of market interest rate is subjective and could materially affect the fair value estimate.

iv. Recoverable amount of exploration and evaluation assets

The carrying value of exploration and evaluation assets and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

Critical accounting judgments

i. Impairment of exploration and evaluation assets

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

ii. Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. Significant Accounting Policies

a) Exploration and evaluation assets

All costs related to the acquisition, exploration and evaluation of mineral resource interests are capitalized by project. Costs incurred before the Company has obtained legal rights to explore an area are recognized in the consolidated statements of loss and comprehensive loss. The Company recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the book value of the property under option when paid or received.

Development expenditures incurred subsequent to a determination of the feasibility of mining operations and to increase or to extend the life of existing production, are capitalized and will be amortized using the unit-of-production method based upon estimated proven and probable reserves. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

3. Significant Accounting Policies (continued)

a) Exploration and evaluation assets (continued)

The amounts shown for exploration and evaluation assets represent costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects, as well as future profitable production or proceeds from the disposition thereof.

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

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

b) Loss per share

The Company computes the dilutive effect of options, warrants and similar instruments on loss per common share from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

c) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in reserves is recorded when stock options vests. When stock options are exercised, share capital is increased by the sum of the consideration paid and the related portion of share-based compensation previously recorded in reserves.

Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined 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 fair value of awards is calculated using the Black-Scholes option pricing model, which considers the following factors:

- Exercise price
- Expected life
- Expected volatility
- Forfeiture rate
- Current market price of underlying shares
- Risk-free interest rate
- Dividend yield

3. Significant Accounting Policies (continued)

d) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

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

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

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

e) Provision for environmental rehabilitation

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

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company’s estimates of reclamation costs, are charged to profit or loss for the period.

f) Compound instruments

The convertible debentures and loans payable were separated into their liability and equity components on issuance of the instruments. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon debt instruments with no bonus shares, conversion feature or warrants issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt instruments with similar terms at the time of issue. The residual value is then allocated to the equity component.

3. Significant Accounting Policies (continued)

g) Financial instruments

The Company adopted the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") using the modified retrospective basis in accordance with the transitional provisions. IFRS 9 replaces IAS *39 Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" ("ECL") impairment model. The adoption of the ECL impairment model did not have an impact on the Company's consolidated financial statements. There were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial asset/liability	**Original Classification IAS 39**	**New Classification IFRS 9**
Cash	Fair value through profit or loss ("FVTPL")	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost

i. Financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income.

3. Significant Accounting Policies (continued)

g) Financial instruments (continued)

i. Financial assets (continued)

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

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.

ii. Financial liabilities

The Company classified financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial liability when the financial liability is 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 profit or loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3. Significant Accounting Policies (continued)

h) Deferred financing charges

Accretion and interest expense comprise interest expense on loans payable and convertible debentures and the accretion of the fair value discount. Deferred financing charges relate to interest payable in advance and are initially deferred and subsequently reclassified into accretion and interest expense as interest is accrued.

i) Equipment

Office equipment is stated at cost less accumulated amortization. Amortization is recorded at rates designed to amortize the cost of capital assets over their estimated useful lives. Amortization is recorded in profit or loss over 5 years on a straight-line basis.

j) Future accounting changes

The following accounting standard is effective for the Company's annual periods beginning November 1, 2019:

IFRS 16 *Leases* ("IFRS 16")

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 similarly to 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 Company does not expect the adoption of this new standard to have any significant impact as the Company does not have any long-term leases.

4. Capital Management

Capital includes all the components of shareholders equity as well as proceeds from loans. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of its exploration and evaluation assets and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in note 5.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, enter into joint venture property arrangements, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and investments.

(Expressed in Canadian dollars)

4. Capital Management (continued)

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

There were no changes in the Company's approach to capital management during year ended November 30, 2019. The Company is not subject to externally imposed capital requirements.

5. Management of Financial Risk

Fair value measurement disclosure includes classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments as at November 30, 2019 are as follows:

	Level 1	Level 2	Level 3
Financial assets at FVTPL			
Cash	$ 94,725	$ -	$ -
Financial liabilities at amortized costs			
Accounts payable and accrued liabilities	$ 582,511	$ -	$ -
Due to related parties	$ 376,185	$ -	$ -
Loans payable	$ -	$ 1,094,654	$ -
Convertible debentures	$ -	$ 2,350,684	$ -

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Fair value

The carrying value of cash, accounts payable and accrued liabilities and amounts due to related parties approximated their fair value since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. The loans payable and convertible debentures are classified as level 2 due as the fair value is determined based on market interest rates.

b) Interest rate risk

The Company has some exposure at November 30, 2019 and 2018 to interest rate risk through its financial instruments; however, the risk is not significant as the loans payable and convertible debentures have fixed, simple interest rates between 7% - 7.5% per annum.

5. Management of Financial Risk (continued)

c) Currency risk

As at November 30, 2019 and 2018, the majority of the Company's cash was held in Canadian dollars, the Company's functional and reporting currency. The majority of the Company's accounts payable and accrued liabilities are denominated in Canadian dollars. Loans payable outstanding as at November 30, 2019 and 2019 are in Canadian dollars. Currency risk is not significant.

d) Credit risk

Concentration of credit risk exists with respect to the Company's cash, as substantially all amounts are held at major financial institutions. The credit risk associated with cash is minimized by ensuring that these financial assets are placed with financial institutions with investment-grade ratings by a primary ratings agency.

e) Liquidity risk

The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at November 30, 2019, the Company had cash of $94,725 (2018 - $15,137) to settle current liabilities of $1,450,850 (2018 - $382,128).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company as at November 30, 2019 and 2018.

	November 30, 2019		November 30, 2018	
Due Date	0 to 12 months	>12 months	0 to 12 months	>12 months
Accounts payable and accrued liabilities	$ 582,511	$ -	$ 73,123	$ -
Due to related parties	376,185	-	309,005	-
Interest – Loans payable	13,524	48,492	-	-
Loans payable	200,000	1,000,000	-	200,000
Interest – Convertible debentures	278,630	-	-	-
Convertible debentures	-	3,000,000	-	-
Total	$ 1,450,850	$ 4,048,492	$ 382,128	$ 200,000

The Company received additional loan proceeds of $2,435,542 in December 2019 (Note 16). The Company's current working capital is sufficient to support the Company's near term general administrative and corporate operating requirements on an on-going basis.

6. Long-Term Deposits

On August 19, 2019, the Company paid a deposit of $825,000 to the Kitikmeot Inuit Association pursuant to its application to obtain Land Use License to get access to the Inuit Owned Lands for Hood River exploration camp and operations.

As at November 30, 2019, the Company has a deposit of $50,000 (2018 - $nil) held with one of the Company's vendors to cover standby charges related to exploration activities.

(Expressed in Canadian dollars)

7. Equipment

	Office equipment
Cost	
Balance, November 30, 2017, 2018 and 2019	$ 8,543
Accumulated amortization	
Balance, November 30, 2017	$ 4,413
Additions	1,708
Balance, November 30, 2018	6,121
Additions	1,709
Balance, November 30, 2019	$ 7,830
Carrying amounts	
At November 30, 2018	$ 2,422
At November 30, 2019	$ 713

8. Exploration and Evaluation Assets

	Hood River Property (Nunavut)	Ulu Property (Nunavut)	Lupin Property	Total
Balance, November 30, 2017	**$ 979,630**	**$ 1,016,661**	**$ 30,000**	**$ 2,026,291**
Acquisition - cash	100,000	400,000	-	500,000
Exploration				
Consulting	2,113	11,974	-	14,087
Permits	24,150	(260)	-	23,890
Travel	2,160	9,659	-	11,819
Impairment of exploration and evaluation assets	-	-	(30,000)	(30,000)
Balance, November 30, 2018	**$ 1,108,053**	**$ 1,438,034**	**$ -**	**$ 2,546,087**
Acquisition - accrual	125,000	-	-	125,000
Exploration				
Assay	44,405	-	-	44,405
Camp and supplies	24,792	-	-	24,792
Consulting	13,115	31,753	-	44,868
Equipment rental	271,078	-	-	271,078
Helicopter	696,603	-	-	696,603
Permits	244,290	217,543	-	461,833
Site personnel	199,011	-	-	199,011
Drilling and geological	546,170	-	-	546,170
Travel	31,493	950	-	32,443
Balance, November 30, 2019	**$ 3,304,010**	**$ 1,688,280**	**$ -**	**$ 4,992,290**

8. Exploration and Evaluation Assets (continued)

a) Hood River Property

Pursuant to a letter of intent dated May 15, 2014, on February 26, 2018, the Company signed the final Transaction Agreement (the "Definitive Agreement") and Net Smelter Return ("NSR") Royalty Agreement (the "Royalty Agreement") to acquire 100% of the outstanding shares of Inukshuk, with an effective date as of September 18, 2014. Inukshuk owns a 100% interest in the Hood River Property in Nunavut through a 20-year renewable mineral exploration agreement dated June 1, 2013, issued by Nunavut Tunngavik Incorporated.

Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of the outstanding shares of Inukshuk by issuing the shareholders (the "Vendors") and their assignees 8,000,000 common shares of the Company (issued in 2014 at a fair value of $560,000) for the transaction. The TSX-V approved the transaction on September 18, 2014.

Under the terms of the Royalty Agreement in the Definitive Agreement, the Company will pay the following:

i. Pay a 3% NSR royalty on the disposition of all minerals produced from the Hood River Property;

ii. Make advance royalty payments totalling $500,000 in accordance with the following schedule:
   (1) $25,000 (paid) within 25 business days of TSX-V preliminary approval;
   (2) an additional $100,000 (paid) on or before February 28, 2018;
   (3) an additional $125,000 (accrued) on or before February 28, 2019;
   (4) an additional $125,000 on or before February 28, 2020; and
   (5) an additional $125,000 on or before February 28, 2021.

iii. Offer the vendor a right of conveyance if the Company abandons the Hood River Property; and

iv. Maintain the Hood River Property in good standing during the conveyance period.

Prior to the commencement of commercial production on the Hood River Property, the Company has the option to acquire up to 2% of the NSR for up to $8,000,000 under the following terms:

i. Purchase an initial 0.5% of the NSR for $1,000,000;
ii. Purchase an additional 0.5% of the NSR for an additional $1,500,000;
iii. Purchase an additional 0.5% of the NSR for an additional $2,500,000; and
iv. Purchase an additional 0.5% of the NSR for an additional $3,000,000

8. Exploration and Evaluation Assets (continued)

b) Ulu Property

The Ulu Property consists of the renewable 21-year lease with an area of approximately 947 hectares and an expiry date of November 18, 2038.

On May 30, 2014, the Company, entered into an option agreement (the "Option Agreement") with Elgin Mining Inc. and Bonito Capital Corp. (collectively, "Elgin"), to acquire an 80% undivided interest in the Ulu Property. Pursuant to the Option Agreement, the Company issued 5,000,000 shares, paid $125,000, and incurred $300,000 in property expenditures to earn a 70% interest in Ulu. On September 10, 2014, Mandalay Resources Corporation ("Mandalay") acquired Elgin. The Ulu Property is subject to a 5% net production proceeds royalty

On January 8, 2018, the Company and Mandalay entered into the New Ulu Property Option Agreement. The new option agreement supersedes all prior agreements covering Ulu Property. On July 19, 2019, the option agreement was further amended (the "Amended Option Agreement"). TSX-V approved the Amended Option Agreement on November 26, 2019.

Pursuant to the terms of the Amended Option Agreement, the Company is required to pay the following:
- $200,000 to be paid upon the receipt of TSX-V approval for the New Ulu Property Option Agreement dated January 8, 2018 (paid);
- $200,000 to be paid on or before May 31, 2018 (paid); and
- $450,000 in lieu of issuing 15,000,000 common shares, with such payment being made upon the closing of the transfer of the Ulu Property and associated permits (paid subsequent to year end – Note 16).

Additionally, the Company is required to complete the following:
- Assume all environmental liabilities, past and present, of the Ulu Property, including all current and future obligations to any regulatory agency; and,
- Arrange for a third-party cash payment of $200,000 for the 5,000,000 common shares of the Company presently held by Mandalay upon the closing of the property transfer.

Under the amended agreement, Mandalay will:
- Transfer to the Company 100% interest in the Ulu Property and associated permits upon regulatory approval of the transfers;
- Assign all its rights to the remediation security, valued at approximately $1,680,000 which is held by the Nunavut Water Board; and,
- Transfer all right, title and interest in all structures, property and equipment located on the Ulu Property.

On November 27, 2019, the Company incorporated a wholly-owned subsidiary, Ulu Mining Inc., to which Ulu Property will be transferred.

c) Lupin Property

On November 2, 2017, the Company entered into a letter agreement (the "LOI") with Mandalay under which the Company may acquire Mandalay's subsidiary, Lupin Mines Incorporated ("Lupin") and the historic Lupin Gold Mine. On June 12, 2018, the Company received a notice from Mandalay that it wished to terminate the LOI and Mandalay was no longer interested in selling Lupin. As a result, the Company has recorded an impairment loss of $30,000 during the year ended November 30, 2018 to write down the property to $Nil in accordance with Level 3 of the fair value hierarchy.

8. Exploration and Evaluation Assets (continued)

Title to resource properties

Although the Company has taken steps to verify the title to exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Realization of assets

The investment in and expenditures on exploration properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are permitted to lapse.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

(Expressed in Canadian dollars)

9. Related Party Transactions and Key Management Compensation

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured.

As at November 30, 2019, $376,185 (2018 - $309,005) was due to directors and officers of the Company:

	November 30, 2019	November 30, 2018
CEO	$ 4,501	$ 14,322
Former CFO*	5,000	3,000
Director	-	50,000
Former director*	39,840	39,840
Former CFO*	39,840	39,840
Former director of subsidiary*	287,004	162,003
	$ 376,185	$ 309,005

*Directors and officers were related parties during the year ended November 30, 2019 or during previous fiscal years and amounts have not been paid as of November 30, 2019.

During the years ended November 30, 2019 and 2018, the Company entered into the following transactions with related parties:

	Year ended November 30, 2019	Year ended November 30, 2018
Salary – CEO	$ 102,000	$ 99,840
Salary – former CFO**	-	56,160
Salary – former director**	-	56,160
Salary – former CFO*	60,000	10,000
Profession fees paid to a firm owned by the former CFO*	14,310	6,375
Share-based compensation (Note 12)		
- 6,300,000 options were granted to directors and officers	311,962	-
	$ 488,272	$ 228,535

*The Company's CFO during the year ended November 30, 2019 resigned subsequent to year end.
**The Company's CFO and a director resigned during the year ended November 30, 2018.

<u>Loans and convertible debentures</u>

During the year ended November 30, 2019, the Company entered into three loan agreements with Dr. Georg Pollert, a director of the Company, for total proceeds of $750,000 (2018 - $nil) (Note 10).

On August 16, 2019, Dr. Georg Pollert, a director of the Company, subscribed for 2,200 units of the Company's convertible debenture for a principal of $2,200,000 (Note 11).

In connection to the loans and convertible debentures with Dr. Georg Pollert, the Company recorded accretion and interest expense of $164,415 (2018 - $nil) and interest payable of $204,329 (2018 - $nil) included in short term convertible debentures.

(Expressed in Canadian dollars)

10. Loans Payable

During the year ended November 30, 2018, the Company entered into the following loan agreement:

- On November 30, 2018, the Company entered into a loan agreement for $200,000 with a third party, which is due on November 30, 2020 and has a simple interest rate of 7% per annum.

During the year ended November 30, 2019, the Company entered into the following loan agreements:

- On December 19, 2018, a loan agreement was entered into with a director of the Company for $250,000 (Note 9). The loan bears 7.5% simple interest per annum payable on or before the date of repayment of December 31, 2020. In consideration, the director will receive 1,000,000 bonus shares upon approval by the TSX-V.

- On March 10, 2019, a loan agreement was entered into with a director of the Company for $250,000 (Note 9). The loan bears 7.5% simple interest per annum payable on or before the date of repayment of March 31, 2021. In consideration, the director will receive 1,000,000 bonus shares upon approval by the TSX-V.

- On May 7, 2019, a loan agreement was entered into with a director of the Company for $250,000 (Note 9). The loan bears 7.5% simple interest per annum payable on or before the date of repayment of June 30, 2021. In consideration, the director will receive 1,000,000 bonus shares upon approval by the TSX-V.

- On June 19, 2019, a loan agreement was entered into with a third party for $250,000. The loan bears 7.5% simple interest per annum payable on or before the date of repayment of July 30, 2021. In consideration, the lender will receive 1,000,000 bonus shares upon approval by the TSX-V.

In connection with the bonus shares described above, the Company recognized an obligation to issue shares of $162,200 (2018 - $nil) and a deferred tax recovery of $60,000 (2018 - $nil).

		Liability Component		Equity Component
Balance at November 30, 2017	$	-	$	-
Proceeds received		200,000		-
Balance at November 30, 2018	$	200,000	$	-
Proceeds received		777,780		222,220
Interest expense		62,015		-
Accretion expense		54,859		-
Deferred income tax recovery		-		(60,000)
Balance at November 30, 2019	$	1,094,654	$	162,220

		2019		2018
Short-term portion of liability	$	213,524	$	-
Long-term portion of liability	$	881,130	$	200,000

(Expressed in Canadian dollars)

11. Convertible Debentures

On November 26, 2019, the TSX-V approved the closing of a non-brokered private placement of convertible debentures. Each unit is priced at $1,000 and consists of 20,000 non-secured Convertible Debentures (the "Debentures") and 20,000 non-transferable Common Share purchase warrants ("Warrants"). Each Debenture bears an annual simple interest rate of 7.5% over its term of up to three years (the "Term") and the interest is to be calculated and paid annually in advance for each year. During the first year of the Term, the conversion price will be $0.05 per share. During the second and third years of the Term, the conversion price will be $0.10 per share. Each Warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.075 per share during the Term.

The Company received total proceeds of $3,000,000 by issuing 3,000 units of convertible debentures. In November 2019, upon the approval of the TSX-V, the Company issued 60,000,000 warrants to the debenture holders. The Company paid finders' fees of $66,635, incurred legal and filing fees of $41,257, and has an obligation to issue 560,000 finders' shares at a fair value of $25,200.

For accounting purpose, the convertible debentures of $3,000,000 are hybrid financial instruments and were allocated into corresponding debt and equity components at the date of issue. The Company determined the conversion feature and warrant components of the convertible debenture meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price within each year of the Term. The Company used the residual value method to allocate the principal amount of the Debentures between the liability and equity components. The Company valued the debt component of the Debentures by calculating the present value of principal and interest payments, discounted at a rate of 23% which represents managements best estimate of the rate that a non-convertible debenture with similar terms and risk would earn. The debt component is subsequently accreted to the face value of the debt portions of the convertible debentures at the effective interest rate of 22.7%. Upon issuance of the unsecured debentures, the fair value was separated into a debt component of $2,116,662 and an equity component of $883,338. On issuance, the Company recognized deferred financing charges of $278,630 related to interest for the first year payable in advance on the Debentures. During the year ended November 30, 2019, interest expense of $56,250 was recorded in accretion and interest, decreasing deferred financing charges.

	Liability component		Equity component	
Balance, November 30, 2017 and 2018	$	-	$	-
Convertible debenture at issuance		2,116,662		883,338
Transaction costs		(93,903)		(39,189)
Accretion expense		49,295		-
Interest expense		56,250		-
Interest payable recorded as deferred financing charges		222,380		-
Deferred income tax recovery		-		(263,855)
Balance, November 30, 2019	$	2,350,684	$	580,294

	2019		2018	
Short-term portion of liability	$	278,630	$	-
Long-term portion of liability	$	2,072,054	$	-

12. Share Capital and Reserves

a) Authorized

Unlimited number of common shares without par value.

b) Share issuances

At November 30, 2019, the Company had 129,600,304 (2018 - 129,600,304) common shares issued and outstanding.

There was no share issuance during the year ended November 30, 2019.

During the year ended November 30, 2018:

- On February 7, 2018, the Company announced a non-brokered private placement of up to 34,000,000 units (the "Units") at a price of $0.05 per Unit for gross proceeds of $1,700,000. Each Unit consists of one common share ("Common Share") and one-half common share purchase warrant ("Warrant"). Each full Warrant will be exercisable to purchase one Common Share at a price of $0.10 for twelve months following the close of the private placement.
- On February 14, 2018, the Company closed the first tranche of the non-brokered private placement by issuing 13,600,000 Units at a price of $0.05 per Unit for gross proceeds of $680,000. On April 16, 2018, the Company closed the second and final tranche of the non-brokered private placement and issued 6,900,000 Units for gross proceeds of $345,000 and further 11,500,000 Units for additional gross proceeds of $575,000.
- On October 29, 2018, 1,300,000 Units issued for proceeds of $65,000 pursuant to the non-brokered private placement were cancelled.
- In total, the Company issued 30,700,000 Units for gross proceeds of $1,535,000. Finder's fees and other share issuance costs of $52,060 were paid in cash in connection with the private placement.

c) Stock options

The Company has a stock option plan under which the aggregate number of common shares to be reserved for exercise of all options granted under the plan and any other share compensation arrangement shall not exceed 10% of the issued shares of the Company at the time of granting of options. The stock option plan provides for the granting of stock options to regular employees and persons providing investor relations or consulting services up to a limit of 5% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. Options granted to consultants providing investor relations services shall vest at a minimum over a period of twelve months with no more than one-quarter of such options vesting in any three-month period. Options, other than options granted to consultants providing investor relations services, shall vest immediately.

During the year ended November 30, 2019, the Company granted to directors, officers and consultants 10,450,000 stock options, exercisable at $0.06 per share for a term of five years. These options vested on the date of grant. The fair value of the stock options granted was $517,461.

(Expressed in Canadian dollars)

12. Share Capital and Reserves (continued)

c) Stock options (continued)

The fair value of the stock options granted was determined using the Black-Scholes option price model with the following assumptions:

Weighted average assumptions	Year ended November 30, 2019
Risk free interest rate	1.58%
Volatility	147.44%
Expected life of options	5 years
Dividend rate	0%
Fair value	$0.05

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2017	5,250,000	$ 0.10
Expired	(1,950,000)	0.10
Balance, November 30, 2018	3,300,000	0.10
Expired	(825,000)	0.10
Granted	10,450,000	0.06
Balance, November 30, 2019	12,925,000	$ 0.07
Exercisable, at November 30, 2019	12,925,000	$ 0.07

At November 30, 2019 and 2018, the Company has the following outstanding stock options enabling holders to acquire common shares as follows:

November 30, 2018 Number of Options	November 30, 2019 Number of Options	Exercise Price	Expiry Date
825,000	-	$ 0.10	September 19, 2019
2,475,000	2,475,000	$ 0.10	August 19, 2020
-	10,450,000	$ 0.06	October 17, 2024
3,300,000	12,925,000		

(Expressed in Canadian dollars)

12. Share Capital and Reserves (continued)

d) Warrants

During the year ended November 30, 2018, the Company issued 15,350,000 warrants with an exercise price of $0.10, pursuant to the private placements.

During the year ended November 30, 2019, the Company issued 60,000,000 warrants with an exercise price of $0.075 and a term of three years, pursuant to the private placement of convertible debentures closed on November 26, 2019 (Note 11).

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2017	14,800,000	$ 0.10
Granted	15,350,000	0.10
Expired	(14,800,000)	0.10
Balance, November 30, 2018	15,350,000	0.10
Expired	(15,350,000)	0.10
Granted	60,000,000	0.075
Balance, November 30, 2019	60,000,000	$ 0.075
Exercisable, at November 30, 2019	60,000,000	$ 0.075

As at November 30, 2019 and 2018, the following share purchase warrants were outstanding:

November 30, 2018	November 30, 2019 Number of Warrants	Exercise Price	Expiry Date
6,300,000	-	$ 0.10	February 14, 2019
9,050,000	-	$ 0.10	April 16, 2019
-	60,000,000	$ 0.075	November 26, 2022
15,350,000	60,000,000		

13. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At November 30, 2019 and 2018, the Company's exploration and evaluation assets are located in Canada. All expenses and cash receipts pertaining to exploration and evaluation activities are capitalized.

14. Commitments

Leases

The Company leased premises under a lease agreement expiring April 30, 2020. Minimum annual lease payments required for the year ending November 30, 2020 is $26,735.

(Expressed in Canadian dollars)

15. Income Taxes

As at November 30, 2019, the Company had accumulated non-capital losses for tax purposes in Canada of approximately $5,944,000. The losses expire as follows:

2027	$	11,000
2028		21,000
2029		133,000
2030		294,000
2031		368,000
2032		383,000
2033		280,000
2034		375,000
2035		1,008,000
2036		690,000
2037		611,000
2038		658,000
2039		1,112,000
	$	**5,944,000**

Income tax expense (recovery) differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2018 – 27.00%) to income before income taxes. A reconciliation of income taxes at statutory rates with reported taxes is as follows:

		2019		**2018**
Net loss for the year	$	(1,388,837)	$	(660,265)
Statutory income tax rate		27%		27%
Income tax benefit computed at statutory tax rate	$	(374,986)	$	(178,272)
Items not deductible for income tax purposes		140,500		42
Over (under) provided in prior years		179,501		(28,313)
Unused tax losses and tax offsets not recognized		(268,870)		193,342
Effect of change in tax rates		-		13,201
Deferred income tax recovery	**$**	**(323,855)**	**$**	**-**

Deferred tax assets and liabilities

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income to utilize its deferred tax assets. The tax effected items that give rise to significant portions of the deferred income tax liabilities at November 30, 2019 and 2018 are presented below:

		2019		**2018**
Deferred tax liabilities:				
Exploration and evaluation assets	$	(44,301)	$	-
Loans payable		(45,187)		-
Convertible debt		(227,241)		-
Deferred financing charges		(60,043)		-
Deferred tax assets				
Non-capital losses carry-forwards		376,772		-
Deferred income tax expense	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

15. Income Taxes (continued)

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of November 30 are as follows:

		2019		2018
Non-capital losses carried forward	$	4,548,177	$	4,835,130
Exploration and evaluation assets		-		500,739
Equipment		9,437		7,730
Investment tax credits		79,102		79,102
Share issue costs		44,622		17,878
Unrecognized deductible temporary differences	**$**	**4,681,338**	**$**	**5,440,579**

16. Events Subsequent to the Reporting Period

Long-term loan

On November 21, 2019, the Company entered into a loan agreement with Dr. Georg Pollert (the "Loan"). The Loan principal amount is $2,435,542 (received on December 10, 2019). The Loan has a term of three years and bears interest at 3% per annum. In relation to the Loan, the Company intends to issue up to 7,871,084 bonus shares to Dr. Georg Pollert which was approved by TSX-V on November 26, 2019.

The proceeds of the Loan will be used to replace the existing Ulu Property remediation security account of $1,685,542 belonging to Mandalay and the funds deposited with the Kitikmeot Inuit Association with respect to the remediation of hydrocarbon contaminated soils of $750,000.

Share issuance

Subsequent to year end, the Company issued 1,217,771 bonus shares to Dr. Pollert related to the Loan described above and 560,000 common shares related to the Company's obligation to issue finder's shares.

Ulu option agreement

In December 2019, the Company completed the transfer of the Ulu Property and associated permits by making the final payment of $450,000 under the Option Agreement with Mandalay (Note 8). All of Mandalay's rights to the remediation security and obligations for remediation transferred to the Company. Using the proceeds from the loan agreement with Dr. Georg Pollert described above, the Company paid $1,685,542 to Crown-Indigenous Relations and Northern Affairs Canada, in relation to the Ulu Water License issued by the Nunavut Water Board ("NWB") for the reclamation liability of the mining license.

On February 5, 2020, pursuant to the Amended Option Agreement (Note 8), Mandalay paid $1,685,542 to the Company which is to assume the estimated environmental liabilities as of the date of transferring the Ulu Property.