
BITTERROOT RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2020 and 2019
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Bitterroot Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Bitterroot Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, and the consolidated statements of income (loss) and comprehensive income (loss), cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, 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 Auditor's 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 audit of the consolidated financial statements, our responsibility is to read the other information 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 auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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.

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

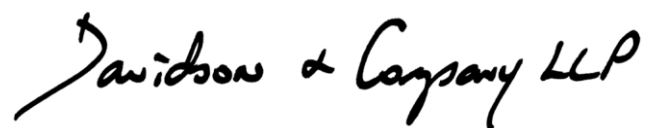
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.
- 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 auditor's report is Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Coysany LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 23, 2021

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	October 31, 2020	October 31, 2019
ASSETS			
Current assets			
Cash		\$ 17,036	\$ 391
Receivables	4	4,945	3,986
Prepaid expenses		7,310	4,402
Total current assets		<u>29,291</u>	<u>8,779</u>
Non-current assets			
Reclamation deposits		11,600	11,500
Right-of-use asset	5	53,891	-
Exploration and evaluation assets	6	4,350,536	4,171,592
Total non-current assets		<u>4,416,027</u>	<u>4,183,092</u>
TOTAL ASSETS		<u>\$ 4,445,318</u>	<u>\$ 4,191,871</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 158,341	\$ 39,271
Due to related party	11	30,136	220,500
Loan payable to related party	7	160,000	50,578
Lease liability	5	22,407	-
Total current liabilities		<u>370,884</u>	<u>310,349</u>
Non-current liabilities			
Due to related party	11	-	178,326
Lease liability	5	34,077	-
Total non-current liabilities		<u>34,077</u>	<u>178,326</u>
Total liabilities		<u>404,961</u>	<u>488,675</u>
SHAREHOLDERS' EQUITY			
Share capital	8	26,938,050	26,693,123
Equity reserves	8	4,222,566	4,175,961
Shares subscribed	8	-	25,000
Deficit		(27,120,259)	(27,190,888)
Total shareholders' equity		<u>4,040,357</u>	<u>3,703,196</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 4,445,318</u>	<u>\$ 4,191,871</u>

Nature of operations (Note 1)

Subsequent events (Note 15)

"Michael S. Carr"

Michael S. Carr, Director

"George W. Sanders"

George W. Sanders, Director

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)

	Note	2020	2019
EXPENSES			
Amortization	5	\$ 18,478	\$ -
Foreign exchange		261	1,665
Gain on settlement of accounts payable and due to related party	11	(49,034)	-
Gain on settlement of loan from related party	7	(20,592)	-
Interest expense	7	9,952	20,520
Management fees	11	30,950	120,000
Office and printing		30,247	62,403
Other income		(17,049)	-
Professional fees		82,798	66,671
Project investigation		244	1,492
Regulatory fees		10,178	8,429
Settlement of flow-through share liability	9	(31,875)	(14,571)
Share based compensation	8	46,301	-
Shareholder information		13,772	15,485
Transfer agent fees		10,751	9,305
Write-off of due to related party	11	(301,015)	-
Write-down of exploration and evaluation assets, net of recoveries	6	95,004	206,563
Income (loss) and comprehensive income (loss) for the year		\$ 70,629	\$ (497,962)
Basic and diluted income (loss) per share		\$ 0.00	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		46,174,102	37,214,771

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)

	2020	2019
Cash flows from operating activities		
Income (loss) for the year	\$ 70,629	\$ (497,962)
Items not involving cash:		
Amortization	18,478	-
Interest expense	9,952	20,520
Gain on settlement of accounts payable and due to related party	(49,034)	-
Gain on settlement of loan from related party	(20,592)	-
Settlement of flow-through share liability	(31,875)	(14,571)
Share based compensation	46,301	-
Write-down of exploration and evaluation assets	95,004	206,563
Write-off of due to related party	(301,015)	-
Foreign exchange	(100)	875
Changes in non-cash working capital items:		
Prepaid expenses	(2,908)	11,433
Receivables	(959)	9,357
Accounts payable and accrued liabilities	94,992	(14,518)
Due to related party	35,385	126,000
Cash used in operating activities	(35,742)	(152,303)
Cash flows from investing activities		
Exploration and evaluation asset expenditures	(598,631)	(179,946)
Exploration and evaluation asset recoveries	370,761	87,814
Reclamation deposit	-	52,631
Cash used in investing activities	(227,870)	(39,501)
Cash flows from financing activities		
Private placements	145,625	167,400
Share issuance costs	(2,961)	(5,678)
Shares subscribed	-	25,000
Lease payments	(22,407)	-
Loan from related party	160,000	-
Cash provided by financing activities	280,257	186,722
Change in cash	16,645	(5,082)
Cash, beginning	391	5,473
Cash, end	\$ 17,036	\$ 391

Supplemental disclosure with respect to cash flows (Note 10).

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Shares subscribed	Equity reserves	Deficit	Total
Balance – October 31, 2018	35,840,478	\$26,546,131	\$ -	\$ 4,175,802	\$ (26,692,926)	\$ 4,029,007
Private placements	3,056,571	167,400	-	-	-	167,400
Shares subscribed	-	-	25,000	-	-	25,000
Share issuance costs	-	(5,837)	-	159	-	(5,678)
Flow-through premium liability	-	(14,571)	-	-	-	(14,571)
Loss for the year	-	-	-	-	(497,962)	(497,962)
Balance – October 31, 2019	38,897,049	\$26,693,123	\$ 25,000	\$ 4,175,961	\$ (27,190,888)	\$ 3,703,196
Private placements	4,978,571	170,625	(25,000)	-	-	145,625
Share issuance costs	-	(3,265)	-	304	-	(2,961)
Flow-through premium liability	-	(31,875)	-	-	-	(31,875)
Shares issued for option payments	100,000	5,000	-	-	-	5,000
Share based payments	-	-	-	46,301	-	46,301
Debt settlements	3,481,365	104,442	-	-	-	104,442
Income for the year	-	-	-	-	70,629	70,629
Balance – October 31, 2020	47,456,985	\$26,938,050	\$ -	\$ 4,222,566	\$ (27,120,259)	\$ 4,040,357

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

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Bitterroot Resources Ltd. (the “Company”) is in the exploration stage and its principal business activity is the sourcing and exploration of resource properties.

The Company was incorporated on March 13, 1951 under the Laws of British Columbia, Canada. The Company’s head office address is Suite 206-B – 1571 Bellevue Avenue, West Vancouver, BC, V7V 1A6, Canada and its registered office address is Suite 900 – 900 West Hastings Street, Vancouver, BC, V6C 1E5, Canada. The Company is listed on the TSX Venture Exchange (“Exchange”) under the symbol “BTT”.

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends on its ability to raise adequate financing and to develop profitable operations. The Company recognized net income of \$70,629 during the year ended October 31, 2020 (2019 – net loss of \$497,962) and as at October 31, 2020, had a working capital deficiency of \$341,593 (2019 - \$301,570). As of October 31, 2020, the Company had accumulated deficit of \$27,120,259.

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

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful development of the property. To date, the Company has not earned any revenues. The Company expects to incur further losses in the development of its business. Subsequent to October 31, 2020, the Company closed a private placement and raised gross proceeds of \$1,040,400 (Note 15). The Company estimates it has sufficient working capital to continue operations for the upcoming year.

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency, unless otherwise indicated.

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

2. BASIS OF PREPARATION

Statement of compliance and basis of measurement

These audited consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on IFRS issued and effective as of October 31, 2020.

The 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.

The consolidated financial statements were approved for issuance by the Board of Directors on February 23, 2021.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd)

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share based payments

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Exploration and evaluation assets

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these 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.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries Trans Superior Resources, Inc. and Voyageur Lands Corporation, both of which are holding companies incorporated in Michigan, USA. All significant inter-company balances and transactions have been eliminated upon consolidation.

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

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

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the periods presented, the calculations proved to be anti-dilutive.

Share-based payments

The Company accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and share-based compensation is accrued and charged to operations, with an offsetting credit to share based payment reserve, over the vesting periods. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

Income tax expense 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. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and 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 amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recorded.

Flow-through shares

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

Decommissioning and restoration provision

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgements and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Cost of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Cash

Cash includes demand deposits and guaranteed investment certificates that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. Face value represents the fair value due to the highly liquid nature of the investment certificates.

BITTERROOT RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

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 (loss) income ("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 classifies its financial instruments as follows:

Financial assets/ liabilities	IFRS 9 Classification
Cash	FVTPL
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost
Loan payable to related party	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses 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 transaction costs are expensed in the statements of income (loss) and comprehensive 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 income (loss) and comprehensive income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

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

At each reporting date, the 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 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 income (loss) and comprehensive 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

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 income (loss) and comprehensive 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 income (loss) and comprehensive income (loss).

Accounting pronouncements adopted during the year

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of November 1, 2019. IFRS 16 replaces IAS 17 Leases ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. Note 5 outlines the effect of adopting IFRS 16 requirements on November 1, 2019.

The following is the Company's new accounting policy for leases under IFRS 16:

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

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4. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable due from the Canadian taxation authorities.

	October 31, 2020	October 31, 2019
GST receivable	\$ 4,945	\$ 3,986
	<u>\$ 4,945</u>	<u>\$ 3,986</u>

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has entered a contractual arrangement to lease an office for one year starting October 1, 2019 with the option to renew for an additional two-year period. The terms of the lease call for minimum monthly lease payments of \$1,867. The Company adopted IFRS 16 on November 1, 2019. On initial adoption, the Company recorded a right-of use asset based on the corresponding lease obligation assuming the renewal term is exercised. A right-of-use asset and lease obligation of \$72,369 was recorded as of November 1, 2019, with no impact on deficit. When measuring the present value of lease obligations, the Company discounted the remaining lease payments using an incremental borrowing rate of 10%.

The change in the right-of-use asset during the year ended October 31, 2020 was as follows:

Balance – October 31, 2019	\$ -
Initial adoption of IFRS 16	72,369
Amortization	(18,478)
Balance – October 31, 2020	<u>\$ 53,891</u>

The change in the lease liability during the year ended October 31, 2020 was as follows:

Balance – October 31, 2019	\$ -
Initial adoption of IFRS 16	72,369
Lease payments made	(22,407)
Interest expense	6,522
	<u>56,484</u>
Less: current portion	(22,407)
Balance – October 31, 2020	<u>\$ 34,077</u>

Future lease payments are as follows for the periods ending October 31:

2021	\$22,407
2022	\$22,407
2023	\$20,540

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6. EXPLORATION AND EVALUATION ASSETS

	Michigan Lands, Michigan, USA	Coyote Sinter Property, Nevada, USA	PCM Claims, Arizona, USA	Castle West, Nevada, USA	North Brenda Property, BC, Canada	Total
Balance – October 31, 2018	\$ 4,218,027	\$ -	\$ 81,860	\$ -	\$ 1	\$ 4,299,888
Acquisition costs - cash	7,574	-	-	1,339	-	8,913
Claims, leases and permits	(1,104)	-	73	7,438	4,507	10,914
Consulting and professional	879	-	11,818	14,667	26,887	54,251
Field supplies	116	-	2,164	144	1,678	4,102
Fuel	-	-	33	159	-	192
Geochemistry	-	-	1,640	1,719	1,588	4,947
Geophysics	-	-	3,998	-	45,811	49,809
Ground transportation	-	-	3,384	1,767	445	5,596
Other	-	-	18,271	15	-	18,286
Room and board	-	-	880	3,288	282	4,450
Storage	-	-	1,243	-	-	1,243
Travel and freight	-	-	-	2,978	-	2,978
Expenditures during the year	7,465	-	43,504	33,514	81,198	165,681
Write-down of exploration and evaluation assets	-	-	(125,364)	-	(81,199)	(206,563)
Recovery of costs	(87,414)	-	-	-	-	(87,414)
Balance – October 31, 2019	4,138,078	-	-	33,514	-	4,171,592
Acquisition costs - cash	-	13,575	-	-	-	13,575
Acquisition costs - shares	-	5,000	-	-	-	5,000
Claims, leases and permits	8,712	14,801	-	6,336	-	29,849
Consulting and professional	50,846	5,101	-	15,874	-	71,821
Drilling	265,328	-	-	-	91,111	356,439
Field supplies	313	-	-	323	-	636
Geochemistry	4,671	2,339	-	-	3,619	10,629
Geophysics	125,009	-	-	6,198	-	131,207
Ground transportation	2,963	612	-	112	24	3,711
Legal	99	-	-	342	-	441
Other	626	528	-	610	147	1,911
Room and board	13,490	87	-	1,802	-	15,379
Travel and freight	1,315	-	-	2,693	103	4,111
Expenditures during the year	473,372	42,043	-	34,290	95,004	644,709
Write-down of exploration and evaluation assets	-	-	-	-	(95,004)	(95,004)
Recovery of costs	(370,761)	-	-	-	-	(370,761)
Balance – October 31, 2020	\$ 4,240,689	\$ 42,043	\$ -	\$ 67,804	\$ -	\$ 4,350,536

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6. EXPLORATION AND EVALUATION ASSETS (cont'd)

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

Michigan Lands, Michigan, U.S.A.

During the year ended October 31, 2015, a subsidiary of Altius Minerals Corporation acquired a 50.1% interest in the Company's Michigan Lands by funding \$600,000 of exploration expenditures. Altius has the right to acquire an additional 19.9% of the properties by completing \$2.5 million in exploration spending by September 29, 2021, plus the right to acquire an additional 10% of the properties by completing exploration spending of a further \$5 million, or completing an NI 43-101 compliant pre-feasibility study on a mineral resource on the properties, before September 29, 2025. The Company also granted to Altius a 2% net smelter returns royalty ("NSR") on the Voyageur Lands (covering approximately 250 square miles of mineral rights) and assigned to Altius its right to repurchase a 1% NSR held by a third party on the Copper Range Lands by paying \$1,000,000 U.S. to the third party before December 31, 2048. During the year ended October 31, 2019, the Company sold its 49.9% interest in 30 acres of Copper Range Lands for \$82,758 (\$62,375 USD); the amount is recognized in recovery of costs.

Mineral Rights Leased from the State of Michigan

During the year ended October 31, 2016, the Company (49.9%) and Altius (50.1%) acquired State of Michigan metallic minerals leases covering 3,051 acres. A cash bond of US\$30,000 has been posted by a subsidiary of Altius.

LM Property

The Company's Michigan subsidiary, Trans Superior Resources, Inc., leases 40 acres of minerals rights in Baraga County, Michigan, known as the LM Property. The lessors have granted the Company the option to reduce the current 3% NSR to a 2% NSR by paying US\$1,000,000 prior to December 31, 2064. The 2020 advance royalty payment is US\$150/acre (paid). The advance royalty payments increase by \$10/acre/year. The LM Property is not subject to the joint venture with Altius.

During the year ended October 31, 2020, the Company, through its US subsidiary Trans Superior Resources, Inc., entered into an option/joint venture agreement whereby Below Exploration, Inc., ("Below") a private Michigan corporation, could earn a 49% joint venture interest in the Company's 100%-leased LM nickel-copper-platinum-palladium property in Baraga County, Michigan. During the year ended October 31, 2020, Below funded \$370,061 (US\$285,000) of exploration expenditures prior to the first anniversary of the agreement and earned a 49% joint venture interest. The Company is the project operator, regardless of its ownership level, and retains a right of first refusal over Below's property interest. Following vesting of its 49% interest, Below had a 90-day option to convert its interest in the project into the Company's shares. Below did not exercise the share conversion option and the joint venture is continuing.

PCM Claims, Arizona, U.S.A.

During the year ended October 31, 2018, the Company, through its US subsidiary, Trans Superior Resources, Inc., entered into an option (the "Option") agreement with a private individual to acquire 21 unpatented mining claims, known as PCM claims, in Mohave County, Arizona. Under the terms of the Option, the Company made an initial payment of US\$50,000 (paid at the equivalent of \$64,801). The Company has since terminated this option. During the year ended October 31, 2019, all of Trans Superior's unpatented claims surrounding the PCM Claims were allowed to lapse.

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6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Coyote Sinter Property, Nevada, U.S.A.

During the year ended October 31, 2020, the Company, through its US subsidiary Trans Superior Resources, Inc., entered into a mining lease, with an option to purchase, with Geological Services, Inc. ("GSI") on the 13- claim Coyote Sinter gold/silver project in Elko County, Nevada. The Company is required to make the following advance minimum royalty ("AMR") payments and share issuances to GSI:

(i) US\$10,000 (paid) and the issuance of 100,000 common shares within 10 days of the TSX-V approval date, August 4, 2020 (the "Approval Date") (issued).

(ii) US\$10,000 (paid subsequent to year end) on the 6-month anniversary of the Approval Date;

(iii) US\$30,000 and the issuance of 100,000 common shares in the capital of the Company on or before the first annual anniversary of the Approval Date;

(iv) US\$40,000 and the issuance of 50,000 common shares in the capital of the Company on or before the second annual anniversary of the Approval Date;

(v) US\$60,000 and the issuance of 50,000 common shares in the capital of the Company on or before the third annual anniversary of the Approval Date;

(vi) US\$100,000 on or before the fourth annual anniversary of the Approval Date;

(vii) US\$125,000 on or before the fifth annual anniversary of the Approval Date;

(viii) US\$125,000 on or before each annual anniversary of the Approval Date after the fifth anniversary as long as the agreement remains in effect, adjusted for inflation from that date.

At any time while the agreement remains in effect, the Company has the exclusive right and option to purchase the Coyote Sinter property from GSI by paying US \$2,000,000, less the sum of all AMR payments already paid to GSI, up to the date of exercise. GSI will retain a 2% NSR, less previous AMR payments, on the Coyote Sinter property and on any Company-located federal mining claims within a 1 mile area of interest ("AOI"). The Company has the option to purchase 1% of the NSR for US\$2,000,000. GSI will also retain a 1% NSR on any mineral rights acquired from 3rd parties within the AOI. The Company has the option to purchase 0.5% of this 1% NSR for US\$500,000. The royalty purchase options are exercisable at any time prior to commercial production.

Castle West Property, Nevada, U.S.A.

During the year ended October 31, 2019, the Company, through its US subsidiary Trans Superior Resources, Inc., entered into an option agreement with Ely Gold Royalties Inc. and its subsidiary Nevada Select Royalty Inc. ("Ely Gold"), to purchase a 100% interest in the Castle West gold/silver property in Esmeralda County, Nevada. The Castle West property is comprised of 34 unpatented mining claims and three leased unpatented claims. Under the terms of the agreement, the Company has paid Ely Gold US\$1,000. During the year ended October 31, 2020, the terms of the option agreement were changed due to the Company's inability to access and explore the Castle West property due to the State of Nevada's COVID-19 related legislation. Under the amended option terms, the Company paid Ely Gold US\$15,000 on December 11, 2020. On, or prior to each of the second, third and fourth anniversaries of December 11, 2020 the Company will pay US\$40,000. A final payment of US\$105,000 will be made on the fifth anniversary for the conveyance of the 100% interest in the Property. Following exercise of the option agreement with Ely Gold, the Company will make minimum advance royalty payments of US\$5,000 on the first and second anniversaries of exercising the option and US\$10,000 on subsequent anniversaries. Ely Gold will retain a 3% NSR on the 34 claims it staked. The Company has the right to buy down 1% of this NSR for a payment of US\$1,000,000. Upon the exercise of the option, the Company will be assigned the three-claim lease and Ely Gold will retain a 1% NSR on these claims.

North Brenda Property, BC, Canada

The Company owns a 100% interest in certain claims located on the North Brenda Property. During the year ended October 31, 2019, the Company drilled three holes on the southwest portion of the North Brenda Property and has since capitalized \$81,198 of exploration and evaluation costs. As at October 31, 2019, a reclamation deposit totalling \$9,100 was held by the BC Ministry of Energy and Mines Petroleum Resources through a term deposit. During the year ended October 31, 2020, the Company wrote down exploration and evaluation costs of \$94,922 (October 31, 2019 - \$81,199) related to the property. No further work is planned.

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7. LOAN PAYABLE TO RELATED PARTY

During the year ended October 31, 2018, the Company received loan proceeds of \$45,000 from a non-arm's length party. During the year ended October 31, 2020, the Company accrued interest expense of \$6,480 (2019 - \$5,578). The loan and accrued interest of \$51,480 was settled in full during the year ended October 31, 2020, through the issuance of 1,029,600 common shares valued at \$30,888 on the date of issuance. The Company recognized a gain on settlement of loan from related party of \$20,592 on the statement of income (loss) and comprehensive income (loss).

During the year ended October 31, 2020, the Company received loan proceeds of \$160,000 (2019 - \$Nil) from a non-arm's length party.

8. SHARE CAPITAL AND EQUITY RESERVES

The authorized share capital consists of an unlimited number of common shares without par value.

As at October 31, 2020, the Company had 47,456,985 shares issued and outstanding.

During the year ended October 31, 2020:

- (i) closed a non-brokered private placement of 1,425,000 shares priced at \$0.025 per unit for gross proceeds of \$35,625 and 2,125,000 flow-through shares priced at \$0.04 for gross proceeds of \$85,000. Finder's fees paid in conjunction with the private placement consist of \$560 in cash and the issuance of 14,000 broker warrants at a fair value of \$304, exercisable at \$0.05 for two years from the date of issuance.
- (ii) issued 3,481,365 shares to settle amounts included in accounts payable, due to related party and loan payable to related party totalling \$174,068 and recorded a gain of \$69,626 on the settlements.
- (iii) closed a non-brokered private placement of 1,428,571 units priced at \$0.035 per unit for gross proceeds of \$50,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at and exercise price of \$0.06 until May 8, 2022. No finder's fees were paid with respect to the private placement.
- (iv) Issued 100,000 shares for property option payments recorded at \$0.05 per share.

During the year ended October 31, 2019, the Company:

- (i) closed a non-brokered private placement of 2,328,000 units priced at \$0.05 per unit for gross proceeds of \$116,400 and 728,571 flow-through common shares priced at \$0.07 for gross proceeds of \$51,000. Each unit consists of one common share and one half of a common share purchase warrant, exercisable at \$0.11 for two years from the date of issuance. Finder's fees paid in conjunction with the private placement consist of \$330 in cash and the issuance of 6,600 broker warrants at a fair value of \$159, exercisable at \$0.11 for two years from the date of issuance.
- (ii) received \$25,000 of share subscriptions towards a future financing.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – October 31, 2018	6,825,405	\$ 0.30
Issued	1,170,600	0.11
Expired	(6,825,405)	0.30
Balance – October 31, 2019	1,170,600	0.11
Issued	1,442,571	0.06
Balance – October 31, 2020	2,613,171	\$ 0.08

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8. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

As at October 31, 2020, the following share purchase warrants were issued and outstanding:

<u>Expiry Date</u>	<u>Number of Warrants</u>	<u>Exercise Price</u>
May 14, 2021	970,600	\$ 0.11
June 19, 2021	200,000	0.11
November 14, 2021	14,000	0.05
<u>May 8, 2022</u>	<u>1,428,571</u>	<u>0.06</u>
	<u>2,613,171</u>	<u>\$ 0.08</u>

The weighted average fair value of each finders' warrant issued during the years ended October 31, 2020 and 2019 was \$0.05 (2019 - \$0.11), calculated using the Black-Scholes option-pricing model on the issue date using the following weighted average assumptions:

	<u>Year ended October 31, 2020</u>	<u>Year ended October 31, 2019</u>
Volatility	173.62%	160.06%
Risk-free interest rate	1.53%	1.60%
Expected life	2 years	2 years

Stock options

The Company, in accordance with the policies of the Exchange, has a stock option plan in place under which it is authorized to grant options to directors, employees, and consultants, to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Pursuant to the stock option plan, vesting restrictions may be applied to certain other options grants, at the discretion of the directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	<u>Number Of Options</u>	<u>Weighted Average Exercise Price</u>
Balance – October 31, 2018	3,380,000	\$ 0.19
Expired	(180,000)	1.00
Balance – October 31, 2019	3,200,000	0.15
Forfeited	(280,000)	0.20
Granted	1,350,000	0.05
Balance – October 31, 2020	<u>4,270,000</u>	<u>\$ 0.11</u>

As at October 31, 2020, the following stock options were outstanding and exercisable:

<u>Number of Options</u>	<u>Exercise Price (\$)</u>	<u>Expiry Date</u>
1,200,000	0.10	January 21, 2021*
150,000	0.10	January 16, 2022
670,000	0.32	April 20, 2022
900,000	0.08	March 1, 2023
1,150,000	0.05	May 19, 2025
200,000	0.05	June 4, 2025
<u>4,270,000</u>		

*Subsequent to October 31, 2020, 1,000,000 stock options were exercised and 200,000 expired unexercised.

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The weighted average fair value of each stock option granted during the year was \$0.05 (2019 - \$Nil), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	2020	2019
Volatility	173.90%	N/A
Risk-free interest rate	0.42%	N/A
Dividend yield	-	N/A
Forfeiture rate	-	N/A
Expected life	5.00 years	N/A

Share based compensation

Total share-based payments recognized for stock options granted during the year ended October 31, 2020 was \$46,301 (2019 - \$Nil).

9. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance at October 31, 2018	\$ -
Liability incurred on flow-through shares issued	14,571
Settlement of flow-through share premium liability on expenditures incurred	<u>(14,571)</u>
Balance at October 31, 2019	-
Liability incurred on flow-through shares issued	31,875
Settlement of flow-through share premium liability on expenditures incurred	<u>(31,875)</u>
Balance at October 31, 2020	<u>\$ -</u>

During the year ended October 31, 2019, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be \$14,571. As at October 31, 2019, the Company had \$Nil of flow-through obligations remaining.

During the year ended October 31, 2020, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be \$31,875. As at October 31, 2020, the Company had \$Nil of flow-through obligations remaining.

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10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the year ended October 31, 2020 included:

- (a) Issued 14,000 brokers' warrants with a fair value of \$304.
- (b) Recognized a flow-through share premium liability of \$31,875 on the issuance of flow-through shares.
- (c) Included in exploration and evaluation assets is \$41,078 which relates to accounts payable and accrued liabilities.
- (d) Settled amounts included in accounts payable, due to related party and loan payable to related party totaling \$174,069 through issuing 3,481,365 common shares with a fair value of \$104,442.
- (e) Recognized \$72,369 of right-of use asset as lease liabilities.
- (f) Issued 100,000 shares for the Coyote Sinter Property option payment and recorded \$5,000 in share capital.

Significant non-cash transactions during the year ended October 31, 2019 included:

- (a) Included in exploration and evaluation assets is \$12,951 which relates to accounts payable and accrued liabilities.
- (b) Issued 6,600 brokers' warrants with a fair value of \$159
- (c) Recognized a flow-through share premium liability of \$14,571 on the issuance of flow-through shares,

11. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

The following is a summary of related party transactions and balances during the year ended October 31, 2020, not disclosed elsewhere in the consolidated financial statements:

- (a) Management fees of \$30,950 (2019 - \$120,000) were incurred from a company controlled by a director of the Company.
- (b) Share based compensation include stock options granted to directors and officers recorded at a fair value of \$24,384 (2019 - \$Nil)

As at October 31, 2020, the Company owed \$30,136 (2019 - \$220,500) in current liabilities and \$nil (2019 - \$178,326) in non-current liabilities to a company controlled by a director for management fees and reimbursable expenses. During the year ended October 31, 2020, the Company settled debt of \$105,588 to this company through the issuance of 2,111,765 common shares, resulting in a gain of \$49,034, and wrote-off amounts due to the company of \$301,015.

12. SEGMENTED INFORMATION

Industry information

The Company operates in one reportable operating segment, being the acquisition, any exploration and development of exploration and evaluation assets.

Geographic information

The Company operates in both Canada and the United States. The Company's reclamation deposits and exploration and evaluation assets are located in the Canada and the United States.

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13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Capital management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses and private placements or return capital to shareholders. As at October 31, 2020, the Company is not subject to externally imposed capital requirements.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash consists of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash and reclamation deposits with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The receivables balance consists of GST recoverable. There is ongoing review to evaluate the credit worthiness of these counterparties. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash, receivables and reclamation deposits

Currency risk

The Company's operations are in Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. A strengthening (weakening) of the Canadian dollar against the US dollar of 10% would not have a significant effect on net loss.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. The Company does not have any variable interest-bearing debt.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

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13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'd)

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2* – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3* – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy. The estimated fair value of accounts payable and accrued liabilities, due to related party and loan payable to related party is equal to their carrying values due to the short-term nature of these instruments.

14. INCOME TAXES

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

	2020	2019
Income (loss) for the year	\$ 70,629	\$ (497,962)
Expected income tax (recovery)	\$ 19,000	\$ (134,000)
Change in statutory, foreign tax, foreign exchange rates and other	-	(16,000)
Permanent difference	4,000	(4,000)
Impact of flow through shares	23,000	14,000
Share issuance costs	(1,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns	21,000	(7,000)
Change in unrecognized deductible temporary differences	(66,000)	149,000
Total income tax expense (recovery)	\$ -	\$ -

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

	2020	2019
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 317,000	\$ 563,000
Allowable capital losses	33,000	33,000
Share issuance costs	9,000	17,000
Property and equipment	9,000	9,000
Non-capital losses available for future period	1,956,000	1,768,000
Potential deferred tax assets	2,324,000	2,390,000
Unrecognized deferred tax assets	(2,324,000)	2,390,000
Net deferred tax assets	\$ -	\$ -

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14. INCOME TAXES (Cont'd)

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

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 1,123,000	No expiry date	\$ 2,038,000	No expiry date
Investment tax credit	18,000	2032 to 2033	18,000	2032 to 2033
Property and equipment	32,000	No expiry date	32,000	No expiry date
Share issue costs	35,000	No expiry date	62,000	No expiry date
Allowable capital losses	123,000	No expiry date	123,000	No expiry date
Non-capital losses available for future periods	7,246,000	2026 to 2040	6,549,000	2026 to 2039

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

15. SUBSEQUENT EVENTS

Subsequent to the year ended October 31, 2020, the Company:

- In December 2020, the Company closed a private placement of 17,340,000 units at \$0.06 per unit for gross proceeds of \$1,040,400. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.12 for two years from the date of issuance. The Company paid cash finders' fees of \$22,644 and issued 329,400 finders' warrants; each finders' warrant exercisable to acquire one common share at an exercise price of \$0.12 for two years from the date of issuance.
- In January 2021, the Company issued 1,428,571 common shares for gross proceeds of \$85,714 related to the exercise of warrants and 1,050,000 common shares for gross process of \$102,500 related to the exercise of stock options.
- In January 2021, the Company issued 2,000,000 stock options with an exercise price of \$0.16 per share and expiring January 4, 2026.