Blue Star Gold Corp.

Interim Condensed Consolidated Financial Statements

For the nine months ended August 31, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

MANAGEMENT'S RESPONBILITY FOR FINANCIAL REPORTING

The interim condensed consolidated financial statements and all information in the quarterly report are the responsibility of the Board of Directors and management. These interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control through an Audit Committee. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the financial statements.

The interim condensed consolidated interim financial statements for the nine months ended August 31, 2020 are unaudited and prepared by Management. The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BLUE STAR GOLD CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT

	Notes	August 31, 2020	November 30, 2019
ASSETS			
Current			
Cash		$ 2,157,040	$ 94,725
Advances and deposits	6	534,225	33,491
GST receivables		201,043	94,601
Deferred financing charges	13	309,880	222,380
Total current assets		3,202,188	445,197
Long-term deposits	7	2,679,377	875,000
Right-of-use assets	9	328,839	-
Property, plant and equipment	8	257,104	713
Exploration and evaluation assets	10	8,027,968	4,992,290
Total assets		$ 14,495,476	$ 6,313,200
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 1,171,200	$ 582,511
Due to related parties	11	234,243	376,185
Lease liabilities – short term	9	166,745	-
Loans payable – short term	12	1,067,405	213,524
Convertible debentures – short term	13	545,740	278,630
Total current liabilities		3,185,333	1,450,850
Lease liabilities – long term	9	162,094	-
Loans payable – long term	12	1,760,888	881,130
Convertible debentures – long term	13	5,194,713	2,072,054
Total liabilities		10,303,028	4,404,034
Shareholders' equity			
Share capital	14	11,508,606	8,964,629
Share subscription receivable	14	(5,000)	-
Obligation to issue shares	12	654,492	187,420
Equity component of convertible debentures	13	1,385,237	580,294
Reserves- options	14	1,276,198	1,203,705
Reserves- warrants	14	106,978	106,978
Deficit		(10,734,063)	(9,133,860)
Total shareholders' equity		4,192,448	1,909,166
Total liabilities and shareholders' equity		$ 14,495,476	$ 6,313,200

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

Approved and authorized by the Board of Directors on October 21, 2020

_*"Kenneth Yurichuk"*_____________ _*"Robert Metcalfe"*________
Kenneth Yurichuk, Director Robert Metcalfe, Director

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

BLUE STAR GOLD CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended August 31, 2020	Three months ended August 31, 2019	Nine months ended August 31, 2020	Nine months ended August 31, 2019
EXPENSES				
Accretion and interest (Notes 12 and 13)	$ 418,622	$ 21,714	$ 885,535	$ 42,975
Amortization (Note 8)	229	427	1,398	1,281
Directors fees (Note 11)	25,000	-	75,000	-
Insurance	10,371	8,952	34,026	24,764
Investor and shareholder relations	117,054	24,824	202,828	43,217
Office and miscellaneous	4,170	5,178	31,410	15,671
Professional fees	119,588	94,443	179,277	152,361
Regulatory and transfer agent fees	7,183	6,969	23,729	23,704
Rent and administrative services	16,403	16,010	49,009	48,700
Salaries (Note 11)	277,948	218,270	561,974	398,961
Share-based compensation (Note 14)	82,929	-	82,929	-
Travel and entertainment	4,564	3,664	26,537	3,665
Loss and comprehensive loss for the period before income tax	(1,084,061)	(400,451)	(2,153,652)	(755,299)
Deferred income tax recovery (Notes 12 and 13)	310,685	-	553,449	-
Loss and comprehensive loss for the period	(773,376)	(400,451)	(1,600,203)	(755,299)
Basic and diluted loss per common share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	141,979,348	129,600,304	134,392,260	124,755,790

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

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

	Share Capital								
	Number	Amount	Obligation to issue shares	Share subscription receivable	Equity component of convertible debentures	Reserves - options	Reserves - warrants	Deficit	Total
Balance, November 30,	129,600,304	$ 8,964,629	$ -	$ -	$ -	$ 686,244	$ 106,978	$ (7,745,023)	$ 2,012,828
Finder's shares	-	(79,546)	-	-	-	-	-	-	(79,546)
Loss for the period	-	-	-	-	-	-	-	(755,299)	(755,299)
Balance, August 31, 2019	129,600,304	8,885,083	-	-	-	686,244	106,978	(8,500,322)	1,177,983
Obligation to issue finders' shares	-	79,546	25,200	-	-	-	-	-	104,746
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 period	-	-	-	-	-	-	-	(633,538)	(633,538)
Balance, November 30,	129,600,304	8,964,629	187,420	-	580,294	1,203,705	106,978	(9,133,860)	1,909,166
Obligation to issue bonus shares on loans	-	-	656,363	-	-	-	-	-	656,363
Finder's shares	1,210,000	86,950	(25,200)	-	-	-	-	-	61,750
Shares issued for loan bonus	3,653,313	164,091	(164,091)	-	-	-	-	-	-
Exercise of options	325,000	42,936	-	(5,000)	-	(10,436)	-	-	27,500
Exercise of warrants	30,000,000	2,250,000	-	-	-	-	-	-	2,250,000
Convertible debentures	-	-	-	-	804,943	-	-	-	804,943
Share-based compensation	-	-	-	-	-	82,929	-	-	82,929
Loss for the period	-	-	-	-	-	-	-	(1,600,203)	(1,600,203)
Balance, August 31, 2020	164,788,617	$ 11,508,606	$ 654,492	$ (5,000)	$ 1,385,237	$ 1,276,198	$ 106,978	$ (10,734,063)	$ 4,192,448

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

BLUE STAR GOLD CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

	Nine months ended August 31, 2020	Nine months ended August 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (1,600,203)	$ (755,299)
Items not affecting cash:		
Accretion and interest	812,181	42,975
Amortization	1,398	1,281
Deferred income tax recovery	(553,449)	-
Share-based compensation	82,929	-
Changes in non-cash working capital items:		
Advances and deposits	(124,234)	(445,503)
Receivables	(106,442)	(29,049)
Accounts payable and accrued liabilities	(411,545)	45,209
Due to related parties	270,060	(61,588)
Net cash used in operating activities	(1,629,305)	(1,201,974)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,277,500	-
Issuance costs	(30,662)	(79,546)
Proceeds from loans	2,435,542	-
Proceeds from convertible debentures	4,100,000	3,900,000
Repayment of loan principal and interest	(172,147)	-
Net cash provided by financing activities	8,610,233	3,820,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation deposits	(1,804,377)	(825,001)
Acquisition of property, plant and equipment	(257,789)	-
Exploration and evaluation expenditures	(4,541,989)	(624,017)
Reimbursement from Mandalay	1,685,542	-
Net cash used in investing activities	(4,918,613)	(1,449,018)
Change in cash during the period	2,062,315	1,169,462
Cash, beginning of period	94,725	15,137
Cash, end of period	$ 2,157,040	$ 1,184,599
SUPPLEMENT NON-CASH DISCLOSURES		
Exploration and evaluation assets included in accounts payable and accrued liabilities	$ 1,056,794	$ 169,760
Right-of-use assets in lease liabilities	$ 328,839	$ -

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. 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 507 – 700 West Pender Street, Vancouver, British Columbia V6C 1G8.

2. Basis of Presentation

a) Statement of compliance

These unaudited interim condensed consolidated financial statements, including comparatives that are unaudited, have been prepared in accordance with IAS 34 ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim condensed consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's audited annual financial statements for the year ended November 30, 2019 except for income tax expense which is recognized and disclosed for the full financial year in the audited financial statements.

These interim condensed consolidated financial statements were authorized by the Board of Directors on October 21, 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 August 31, 2020, the Company has an accumulated deficit of $10,734,063 (November 30, 2019 - $9,133,860) and has working capital of $16,855 (November 30, 2019 – deficiency of $1,005,653) 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 August 31, 2020 and November 30, 2019 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. 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.

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.

2. Basis of Presentation (continued)

f) Estimates and judgments (continued)

Critical accounting estimates (continued)

ii. Share-based payments

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, 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.

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 judgements

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

These Condensed Interim Consolidated Financial Statements have been prepared using accounting policies consistent with those used in the Company's audited consolidated financial statements for the year ended November 30, 2019.

Adoption of new accounting policies

IFRS 16, Leases ("IFRS 16") was adopted on December 1, 2019, using the modified retrospective approach. This approach does not require restatement of prior period financial information as it applies the standard prospectively. This standard replaced IAS 17, Leases ("IAS 17"). Under IAS 17, operating lease expenditures were expensed on a straight-line basis over the lease term whereas under IFRS 16, there is an increased focus on control of the underlying asset.

Right-of-use ("ROU") asset

A lease is a contract that transfers substantially all the risks and rewards incidental to ownership of an identified asset. The Company initially recognizes a lease at its commencement date which is when an identified asset is made available for use. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct or estimated restoration costs. A right-of-use asset is then depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term.

Lease liabilities

Lease liabilities include the present value of future fixed payments, less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using the Company's incremental borrowing rate if the rate implicit in the lease is not readily determinable. The term of each lease includes its non-cancellable period. The term can also include periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. After the commencement date, the Company continually measures its lease liabilities to reflect changes in lease payments, discount rates or the leases' remaining term with an offsetting adjustment to right-of-use assets.

Each lease payment is comprised of both a financing and principal component. Financing costs are charged to the consolidated statements of operations and comprehensive loss over each lease's term. Lease payments are applied against lease liabilities using the effective interest method.

Short-term leases with an initial lease term of less than twelve months are evaluated by class of the underlying asset whereas lease payments for low-value assets are evaluated on a lease-by-lease basis. Short-term and low-value leases can be accounted for as either leases or expensed.

Adoption of IFRS 16

The Company has adopted IFRS 16 Leases from December 1, 2019 and has elected to use the modified retrospective approach. The cumulative effect of initial application is recognized in retained earnings as at December 1, 2019 and the Company will not restate comparative information for prior periods presented. The details of the changes in accounting policy are discussed below.

To determine whether a contract contains a lease, the Company applies the new definition of a lease under IFRS 16 namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. Significant Accounting Policies (continued)

Adoption of new accounting policies *(continued)*

The Company's only lease assets are office space. Previously under IAS 17 the Company classified leases as operating or finance leases based on whether the lease transferred substantially all of the risks and rewards of ownership. The Company previously did not have any leases that were classified as finance leases. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for all leases expect where the Company has elected to use the practical expedient to not recognize right-of use assets and lease liabilities for low-value assets or short-term leases under 1 year that are not expected to renew. The Company has recognized low-value assets and short-term lease payments as an expense on a straight-line basis over the lease term. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components for which the Company is the lessee and has accounted for the combined amounts as a single lease component.

The Company recognizes a right of use asset as a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The Company has elected to use the practical expedient of excluding initial direct costs from the measurement of the right of use asset cost at the date of initial application.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date adjusted for lease prepayments and lease incentives, discounted using the interest rate implicit in the lease, or if not readily determinable, the incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options, which significantly affects the amount of lease liability and right of use assets recognized. The Company has used the practical expedient of applying hindsight in assessing certain lease extension options. The Company has also used judgement in determining the incremental borrowing rate based on the term, security, the lessee entities economic environment, credit rating, level of indebtedness and asset specific adjustments.

The adoption of IFRS 16 have no significant impact on the Company's opening financial positions.

(Expressed in Canadian dollars)

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.

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 the period ended August 31, 2020. 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 August 31, 2020 are as follows:

	Level 1	Level 2	Level 3
Financial assets at FVTPL			
Cash	$ 2,157,040	$ -	$ -
Financial liabilities at amortized costs			
Accounts payable and accrued liabilities	$ 1,171,600	$ -	$ -
Due to related parties	$ 234,243	$ -	$ -
Lease liabilities	$ -	$ 328,839	$ -
Loans payable	$ -	$ 2,828,293	$ -
Convertible debentures	$ -	$ 5,740,453	$ -

5. Management of Financial Risk (continued)

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 August 31, 2020 and November 30, 2019 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 3% - 7.5% per annum.

c) Currency risk

As at August 31, 2020 and November 30, 2019, 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 August 31, 2020 and November 30, 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 August 31, 2020, the Company had cash of $2,157,040 (November 30, 2019 - $94,725) to settle current liabilities of $3,185,333 (November 30, 2019 - $1,450,850).

6. Advances and deposits

		August 31, 2020		November 30, 2019
Exploration advances and prepaids	$	326,500	$	-
Other advances and prepaids		118,162		25,661
Rent deposit		89,563		7,830
	$	534,225	$	33,491

(Expressed in Canadian dollars)

7. Long-term deposits

As at August 31, 2020, the Company has the following long-term deposits:

a) a deposit of $943,835 (November 30, 2019 -$825,000) held with the Kitikmeot Inuit Association pursuant to its application to obtain a Land Use License to get access to the Inuit Owned Lands for the Hood River exploration camp and operations;

b) a deposit of $1,685,542 (November 30, 2019 - $Nil) with 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;

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

8. Property, plant and equipment

	Office equipment	field equipment	Total
COST			
Balance, November 30, 2018 and 2019	$ 8,543	$ -	$ 8,543
Additions	6,099	251,690	257,789
Balance, August 31, 2020	14,642	251,690	266,332
Accumulated amortization			
Balance, November 30, 2018	$ 6,121	$ -	$ 6,121
Additions	1,709	-	1,709
Balance, November 30, 2019	7,830	-	7,830
Additions	1,398	-	1,398
Balance, August 31, 2020	$ 9,228	$ -	$ 9,228
Carrying amounts			
At November 30, 2019	$ 713	$ -	$ 713
At August 31, 2020	$ 5,414	$ 251,690	$ 257,104

9. RIGHT-OF-USE ("ROU") ASSETS AND LEASE LIABILITIES

On August 19, 2020, the Company entered into an office lease agreement for a 24- month lease period starting October 1, 2020. In accordance with IFRS16, the Company recorded right-of-use assets of $328,839 and recognized lease liabilities of $328,839 at the same time as the agreement date. $166,745 of lease liabilities are due within 12 months.

As at August 31, 2020, the Company measured the present value of its lease liabilities using a discount rate of 12% as determined from its incremental borrowing rate.

(Expressed in Canadian dollars)

10. Exploration and Evaluation Assets

	Ulu Property (Nunavut)	*Hood River Property (Nunavut)*	*Total*
Balance, November 30, 2018	$ 1,438,034	$ 1,108,053	$ 2,546,087
Acquisition - accrual	-	125,000	125,000
Exploration			
Assay	-	44,405	44,405
Camp and supplies	-	24,792	24,792
Consulting	31,753	13,115	44,868
Equipment rental	-	271,078	271,078
Helicopter	-	696,603	696,603
Permits	217,543	244,290	461,833
Site personnel	-	199,011	199,011
Drilling and geological	-	546,170	546,170
Travel	950	31,493	32,443
Balance, November 30, 2019	1,688,280	3,304,010	4,992,290
Acquisition - cash	450,000	125,000	575,000
Exploration			
Assay	11,098	27,311	38,409
Camp and supplies	96,716	95,430	192,146
Claim maintenance	4,832	-	4,832
Community support	15,580	10,496	26,076
Consulting	69,298	49,921	119,219
Equipment rental	76,245	242,473	318,718
Fuel	81,331	81,331	162,662
Helicopter and flight	473,099	330,290	803,389
Permits	186,954	67,669	254,623
Site personnel	168,416	200,378	368,794
Remediation	259,211	-	259,211
Drilling and geological	753,243	803,105	1,556,348
Travel	22,578	19,215	41,793
Cash received from Mandalay	(1,685,542)	-	(1,685,542)
Balance, August 31, 2020	$ 2,671,339	$ 5,356,629	$ 8,027,968

10. Exploration and Evaluation Assets (continued)

a) Ulu Property

The Ulu Property consists of a 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 the Ulu Property. 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 the Ulu Property. On July 19, 2019, the option agreement was further amended (the “Amended Option Agreement”). The 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 (paid) 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.

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 ($1,685,542 received) 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 the Ulu Property will be transferred.

10. Exploration and Evaluation Assets (continued)

b) 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 NSR Royalty Agreement to acquire 100% of the outstanding shares of Inukshuk Exploration Inc. ("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 ("MEA") dated June 1, 2013, issued by Nunavut Tunngavik Incorporated ("NTI").

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 (paid) on or before February 28, 2019;
    (4) an additional $125,000 (paid) 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

10. 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)

11. 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 August 31, 2020, $234,243 (November 30, 2019 - $376,185) was due to directors and officers of the Company:

	August 31, 2020	November 30, 2019
Former CEO	$ 168,000	$ 4,501
Former CFO	-	5,000
Directors	26,403	-
Former director	-	39,840
Former CFO	39,840	39,840
Former director of subsidiary	-	287,004
	$ 234,243	$ 376,185

During the nine months ended August 31, 2020 and 2019, the Company entered into the following transactions with related parties:

	Nine months ended August 31, 2020	Nine months ended August 31, 2019
Salary - CEO	$ 8,500	$ -
Salary – CFO	69,750	-
Salary – former CEO	246,285	48,000
Salary – former CFO	-	45,000
Directors' fees	75,000	-
Professional fee		
- to a firm owned by the former CFO	-	11,318
	$ 399,535	$ 104,318

11. Related Party Transactions and Key Management Compensation (continued)

Loans and convertible debentures

During the year ended November 30, 2019:

i. the Company entered into three loan agreements with Dr. Georg Pollert, a director of the Company, for total proceeds of $750,000 (Note 12).

ii. 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 amount of $2,200,000 (Note 13).

During the nine months ended August 31, 2020:

i. On November 21, 2019, the Company entered into a loan agreement with Dr. Georg Pollert. The loan principal amount of $2,435,542 was received on December 10, 2019 (Note 12).

ii. On July 3, 2020, Dr. Georg Pollert, a director of the Company, subscribed for 3,175 units of the Company's convertible debenture for a principal amount of $3,175,000 (Note 13).

In connection to the loans and convertible dentures with Dr. Georg Pollert, the Company recorded an accretion and interest expense of $654,008 (2019 - $14,281).

12. 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 nine months ended August 31, 2020, the Company repaid loan principal of $150,000 and interest of $22,147. As of August 31, 2020, the balance of the loan is $50,000.

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 11). 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 11). 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 11). 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.

(Expressed in Canadian dollars)

12. Loans Payable (continued)

During the nine months ended August 31, 2020, the Company entered into the following loan agreements:

- On November 21, 2019, the Company entered into a loan agreement with Dr. Georg Pollert. The loan principal amount is $2,435,542 (Note 11; 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. During the nine months ended August 31, 2020, the Company issued 3,653,313 bonus shares (Note 14) valued at $164,091.

In connection with the bonus shares described above, the Company recognized an obligation to issue shares of $656,363 (November 30, 2019 - $162,220) and a deferred tax recovery of $242,764 (November 30, 2019 - $60,000).

		Liability Component		Obligation to issue shares
Balance at November 30, 2018	$	200,000	$	-
Proceeds received		777,780		222,220
Accretion and interest		116,874		-
Deferred income tax recovery		-		(60,000)
Balance at November 30, 2019	$	1,094,654	$	162,220
Proceeds received		1,536,415		899,127
Accretion and interest		369,371		-
Deferred income tax recovery		-		(242,764)
Bonus shares issued		-		(164,091)
Repayment of loan principal		(150,000)		-
Repayment of interest		(22,147)		-
Balance at August 31, 2020	$	2,828,293	$	654,492

		August 31, 2020		November 30, 2019
Short-term portion of liability	$	1,067,405	$	213,524
Long-term portion of liability	$	1,760,888	$	881,130

13. Convertible Debentures

Convertible debenture 2019

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.

13. Convertible Debentures (continued)

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 (issued in February 2020).

For accounting purposes, 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.

Convertible debenture 2020

On July 3, 2020, the Company closed a non-brokered private placement of 4,100 units of the Company (the "Units") at a price of $1,000 per Unit for gross proceeds of up to $4,100,000. Each Unit is comprised of 20,000 unsecured convertible debenture (the "Debentures") and 20,000 non-transferable common share purchase warrants ("Warrants") of the Company.

Each Debenture has a maximum term of 3 years (the "Term") and will bear an annual simple interest rate of 7.5%. During the first year of the Term, the principal amount of each Debenture may be converted by the holder, for no additional consideration, into common shares of the Company at a conversion price of $0.05 per share and $0.10 per share during the second and third years of the Term.

Each Warrant entitles the holder to purchase one additional share at an exercise price of $0.075 per share until the expiry date of the Term.

The Company paid finder's fee of $32,500 in cash and issued 650,000 finder's shares at a fair value of $61,750.

For accounting purposes, the convertible debentures of $4,100,000 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%. Upon issuance of the unsecured debentures, the fair value was separated into a debt component of $2,949,315 and an equity component of $1,150,685. On issuance, the Company recognized deferred financing charges of $307,500 related to interest for the first year payable in advance on the Debentures.

(Expressed in Canadian dollars)

13. Convertible Debentures (continued)

	Liability component	Equity component
Balance, November 30, 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
Accretion expense	177,363	-
Interest expense	168,750	-
Interest payable recorded as deferred financing charges	(168,750)	-
Convertible debenture at issuance	2,949,315	1,150,685
Transaction costs	(89,855)	(35,057)
Accretion expense	45,446	-
Interest expense	51,250	-
Interest payable recorded as deferred financing charges	256,250	-
Deferred income tax recovery	-	(310,685)
Balance, August 31, 2020	$ 5,740,453	$ 1,385,237

	August 31, 2020	November 30, 2019
Short-term portion of liability	$ 545,740	$ 278,630
Long-term portion of liability	$ 5,194,713	$ 2,072,054

14. Share Capital and Reserves

a) Authorized

Unlimited number of common shares without par value.

b) Share issuances

At August 31, 2020, the Company had 164,788,617 (November 30, 2019 – 129,600,304) common shares issued and outstanding.

During the nine months ended August 31, 2020:

i) the Company issued 1,210,000 finders' shares valued at $86,950;

ii) the Company issued 3,653,313 bonus shares (valued at $164,091) to Dr. Georg Pollert in relation to a loan of $2,453,542 the Company received in December 2019 (Note 12).

iii) the Company issued 30,000,000 shares to Dr. Georg Pollert pursuant to exercise of warrants at $0.075 per share for total proceeds of $2,225,000.

iv) the Company issued 325,000 shares pursuant to exercise of options at $0.10 per share for total proceeds of $325,000, of which $5,000 was not received as of August 31, 2020. The Company recorded 10,436, the fair value of the 325,000 options exercised, from reserves to share capital.

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

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.

In August 2020, the Company granted to two directors 600,000 stock options, exercisable at $0.125 per share for a term of 4.19 years. These options vested on the date of grant. The fair value of the stock options granted was $61,833 ($0.10 per option).

In August 2020, the Company granted to the CEO 1,200,000 stock options, exercisable at $0.125 per share for a term of 5 years. These options vest on January 1, 2021. The fair value of the stock options granted was $129,210 ($0.11 per option). As of August 31, 2020, the Company amortized share-based compensation of $21,096 in the statement of loss.

(Expressed in Canadian dollars)

14. Share Capital and Reserves (continued)

c) Stock options (continued)

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 5 years. These options vested on the date of grant. The fair value of the stock options granted was $517,461 ($0.05 per option). On May 19, 2020, those stock options were repriced at $0.10 per share while the other terms remain the same. This modification reduces the fair value of the stock options; therefore, no revaluation is required according to IFRS 2 "Share-based Payment".

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

Weighted average assumptions	**Nine months ended August 31, 2020**	**Year ended November 30, 2019**
Risk free interest rate	0.38%	1.58%
Volatility	131.99%	147.44%
Expected life of options	4.73 years	5 years
Dividend rate	0%	0%

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2018	3,300,000	$ 0.10
Expired/cancelled	(825,000)	0.10
Granted	10,450,000	0.06
Balance, November 30, 2019	12,925,000	$ 0.07
Granted	1,800,000	0.125
Exercised	(325,000)	0.10
Expired/cancelled	(3,250,000)	0.10
Balance, August 31, 2020	11,150,000	$ 0.10
Exercisable, at August 31, 2020	9,950,000	$ 0.10

(Expressed in Canadian dollars)

14. Share Capital and Reserves (continued)

c) Stock options (continued)

At August 31, 2020, the Company has the following outstanding stock options enabling holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
1,200,000	$ 0.125	August 7, 2025
600,000	$ 0.125	October 17, 2024
9,350,000	$ 0.10	October 17, 2024

d) Warrants

During the year ended November 30, 2019, the Company issued 60,000,000 warrants with an exercise price of $0.075 in three years, pursuant to the private placement of convertible debentures closed on November 26, 2019 (Note 13).

During the nine months ended August 31, 2020, the Company issued 82,000,000 warrants with an exercise price of $0.075 in three years, pursuant to the private placement of convertible debentures closed on July 3, 2020 (Note 13).

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2018	15,350,000	$ 0.10
Expired/cancelled	(15,350,000)	0.10
Granted	60,000,000	0.075
Balance, November 30, 2019	60,000,000	$ 0.075
Granted	82,000,000	0.075
Exercised	(30,000,000)	0.075
Balance, August 31, 2020	112,000,000	$ 0.075
Exercisable, at August 31, 2020	112,000,000	$ 0.075

(Expressed in Canadian dollars)

14. Share Capital and Reserves (continued)

d) Warrants (continued)

As at August 31, 2020, the following share purchase warrants were outstanding:

Number of Options	Exercise Price	Expiry Date
30,000,000	$ 0.075	November 26, 2022
82,000,000	$ 0.075	July 3, 2023

15. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At August 31, 2020 and November 30, 2019, the Company's exploration and evaluation assets are located in Canada. All expenses and cash receipts pertaining to exploration and evaluation activities are capitalized.

16. Events subsequent to the reporting period

On October 7, 2020, the Company issued 14,000,000 shares to Dr. Georg Pollert pursuant to exercise of warrants at $0.075 per share for total proceeds of $1,050,000.