# PROSPER GOLD CORP.

## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

## (EXPRESSED IN CANADIAN DOLLARS)

Smythe CPA

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF PROSPER GOLD CORP.

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

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

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

### *Material Uncertainty Related to Going Concern*
We draw attention to Note 1 in the financial statements, which indicates that the Company has a deficit of $14,291,978 as at October 31, 2019, has not yet generated revenues, and has incurred losses and negative cash flows from operations since inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*
Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

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

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

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



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

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

## *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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

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

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

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



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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 20,2020



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# PROSPER GOLD CORP.
**Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| | Notes | As at October 31, 2019 | | October 31, 2018 | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | **$** | **525,616** | $ | 29,790 |
| Amounts receivable | | | **35,352** | | 6,011 |
| Prepaid expenses and deposit | 11 | | **19,064** | | 31,561 |
| | | | **580,032** | | 67,362 |
| **Non-current assets** | | | | | |
| Reclamation deposit | 6 | | **190,000** | | 190,000 |
| Equipment | 7 | | **19,930** | | 26,834 |
| Mineral properties | 8 | | **625,942** | | 731,965 |
| | | **$** | **1,415,904** | $ | 1,016,161 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 11(b), 12 | **$** | **223,745** | $ | 531,330 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 9 | | **13,416,665** | | 11,987,859 |
| Reserves | 10 | | **2,067,472** | | 1,807,307 |
| Deficit | | | **(14,291,978)** | | (13,310,335) |
| | | | **1,192,159** | | 484,831 |
| | | **$** | **1,415,904** | $ | 1,016,161 |

These financial statements were approved by the Board of Directors and authorized for issue on February 20, 2020. They are signed on behalf of the Board of Directors by:

*/s/ "Peter Bernier"* | */s/ "Jason Hynes"*

Peter Bernier
Director

Jason Hynes
Director

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

# PROSPER GOLD CORP.
**Statements of Comprehensive Loss**
**(Expressed in Canadian Dollars)**

| | Notes | **Years ended** October 31, 2019 | October 31, 2018 |
|---|---|---|---|
| **Expenses** | | | |
| Exploration expenditures | 8, 12 | **$ 773,738** | $ 462,578 |
| General and administrative | 12 | **114,515** | 230,642 |
| Management salaries and fees (recovery) | 12 | **(233,794)** | 219,087 |
| Professional fees | | **20,744** | 22,322 |
| Share-based payments | 10(b), 12 | **147,030** | 110,268 |
| Transfer agent, listing and filing fees | | **13,061** | 14,931 |
| | | **835,294** | 1,059,828 |
| **Other income and loss** | | | |
| Interest income | | **(3,888)** | (2,332) |
| Other income | 9 | **(8,167)** | - |
| Write-off of mineral properties | 8 | **158,404** | 229,096 |
| | | **146,349** | 226,764 |
| **Net loss and comprehensive loss for year** | | **$ 981,643** | $ 1,286,592 |
| **Loss per share** | | | |
| Basic and diluted | | **$ 0.016** | $ 0.024 |
| **Weighted average number of common shares outstanding** | | **62,644,761** | **52,866,222** |

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

# PROSPER GOLD CORP.

**Statements of Changes in Shareholders' Equity**
**(Expressed in Canadian Dollars)**

For the year ended October 31, 2018

| | Number of Shares | Share Capital | Reserves Options | Reserves Other | Reserves Total | Deficit | Total |
|---|---|---|---|---|---|---|---|
| Balance at October 31, 2017 | 49,122,249 | $ 11,465,537 | $1,187,030 | $ 543,629 | $1,730,659 | $(12,058,590) | $ 1,137,606 |
| Private placement – units (note 9(b)) | 5,000,000 | 500,000 | - | - | - | - | 500,000 |
| Shares issued for properties (notes 8(a) and 9(c)) | 570,000 | 60,650 | - | - | - | - | 60,650 |
| Share issue costs (note 9(b)) | - | (38,328) | - | 1,227 | 1,227 | - | (37,101) |
| Share-based payments (note 10(b)) | - | - | 110,268 | - | 110,268 | - | 110,268 |
| Stock options expired (note 10(b)) | - | - | (34,847) | - | (34,847) | 34,847 | - |
| Net loss for the year | - | - | - | - | - | (1,286,592) | (1,286,592) |
| Balance at October 31, 2018 | 54,692,249 | $ 11,987,859 | $1,262,451 | $ 544,856 | $1,807,307 | $ (13,310,335) | $ 484,831 |

**For the year ended October 31, 2019**

| | Number of Shares | Share Capital | Reserves Options | Reserves Other | Reserves Total | Deficit | Total |
|---|---|---|---|---|---|---|---|
| Balance at October 31, 2018 | 54,692,249 | $ 11,987,859 | $ 1,262,451 | $ 544,856 | $1,807,307 | $(13,310,335) | $ 484,831 |
| Private placement – units (note 9(b)) | 22,500,000 | 1,225,000 | - | 25,000 | 25,000 | - | 1,250,000 |
| Private placement – flow-through units (note 9(b)) | 2,916,667 | 277,083 | - | 64,750 | 64,750 | - | 341,833 |
| Shares issued for properties (notes 8(a) and 9(c)) | 300,000 | 25,500 | - | - | - | - | 25,500 |
| Share issue costs (note 9(b)) | - | (98,777) | - | 23,385 | 23,385 | - | (75,392) |
| Share-based payments (note 10(b)) | - | - | 147,030 | - | 147,030 | - | 147,030 |
| Net loss for the year | - | - | - | - | - | (981,643) | (981,643) |
| **Balance at October 31, 2019** | **80,408,916** | **$ 13,416,665** | **$ 1,409,481** | **$ 657,991** | **$2,067,472** | **$(14,291,978)** | **$ 1,192,159** |

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

# PROSPER GOLD CORP.
**Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| | Years ended | |
|---|---|---|
| | **October 31, 2019** | October 31, 2018 |
| **Cash provided by (used in):** | | |
| **Operating activities** | | |
| Net loss | **$ (981,643)** | $ (1,286,592) |
| Adjustments for items not involving cash: | | |
| Amortization | **6,904** | 10,411 |
| Share-based payments | **147,030** | 110,268 |
| Write-off of mineral properties | **158,404** | 229,096 |
| Other income | **(8,167)** | - |
| Net change in non-cash working capital | | |
| Amounts receivable | **(29,341)** | 12,773 |
| Prepaid expenses and deposit | **12,497** | 70,876 |
| Accounts payable and accrued liabilities | **(307,585)** | 287,144 |
| Cash used in operating activities | **(1,001,901)** | (566,024) |
| **Investing activity** | | |
| Mineral property option payment and acquisition costs | **(26,881)** | (96,813) |
| Cash used in investing activity | **(26,881)** | (96,813) |
| **Financing activity** | | |
| Proceeds from private placement, net of share issue costs | **1,524,608** | 462,899 |
| Cash provided by financing activity | **1,524,608** | 462,899 |
| **Increase (decrease) in cash** | **495,826** | (199,938) |
| Cash, beginning of year | **29,790** | 229,728 |
| **Cash, end of year** | **$ 525,616** | $ 29,790 |

| | | |
|---|---|---|
| **Non-cash activities:** | | |
| Shares issued for properties | **$ 25,500** | $ 60,650 |
| Fair value of broker warrants for private placements | **$ 23,385** | $ 1,227 |
| Flow-through premium | **$ 8,167** | $ - |

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

## 1. Nature of operations and going concern

Prosper Gold Corp. ("Prosper" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on October 11, 2007, continued into British Columbia under the *Business Corporations Act* (British Columbia) and changed its name from Lander Energy Corporation on April 26, 2012. The registered office of the Company is located at Suite 2300 - 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3. Effective September 3, 2013, the Company's common shares were listed on the TSX Venture Exchange (the "Exchange"), trading under the symbol "PGX" upon completion of its Qualifying Transaction on August 30, 2013. Prior to September 3, 2013, the Company was classified as a capital pool company ("CPC") as defined under Policy 2.4 of the Exchange, and trading on the NEX board of the Exchange under the symbol "PGX-H".

The principal business activity of the Company is the acquisition, exploration and development of mineral properties. These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. The Company has not yet generated any revenues, has incurred losses and negative cash flows from operations since inception and has a deficit of $14,291,978 as at October 31, 2019 (2018 - $13,310,335). At October 31, 2019, the Company had cash of $525,616 (2018 - $29,790) and working capital of $356,287 (2018 – working capital deficit of $463,968). The ability of the Company to continue as a going concern over a longer term is dependent on the Company's ability to complete financing to meet administrative overhead and to complete the exploration and development of its mineral property interests, attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. However, there is no guarantee that the Company will establish economically recoverable reserves, profitable operations or positive cash flows from operations. The Company will continue to raise funding through equity financing to continue operations and has been successful to date, but there can be no assurance that adequate financing will be available in the future, or available on terms acceptable to the Company and, therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. Basis of preparation

### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

### (b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Effective November 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets and impairment thereon as described in Note 3.

## 2. Basis of preparation (continued)

### (c) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

### (d) Critical accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Actual results could differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these financial statements and other major sources of measurement uncertainty are discussed in note 4.

## 3. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are as follows.

### (a) Financial instruments

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") on a retroactive basis in accordance with the transitional provisions at November 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. The adoption of IFRS 9 did not result in any change in the carrying values of any of the Company's financial assets on the transition date, and therefore, comparative figures have not been restated.

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

| **Financial Asset/Liabilities** | **Original Classification IAS 39** | **New Classification IFRS 9** |
|---|---|---|
| Cash | Fair value through Profit or loss ("FVTPL") | FVTPL |
| Reclamation deposit | Other Loans and Receivables | Amortized Cost |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |

<u>Financial Assets</u>

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value, net of transaction costs that are directly attributable to its acquisition, except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

### 3. Significant accounting policies (continued)

### (a) Financial instruments (continued)

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument, and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Accounts payable and accrued liabilities are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

Fair Value Hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

## 3. Significant accounting policies (continued)

### (b) Equipment

Equipment is recorded at cost less accumulated amortization and impairment charges. Amortization is recorded using the declining-balance method at a rate of 55% for computer equipment, 20% for office furniture and field equipment and 30% for vehicle. Management reviews the estimated useful life and amortization method on an annual basis. Changes to the useful life or amortization method resulting from such review are accounted for prospectively.

### (c) Mineral properties

The costs of exploration and evaluation assets acquired through a business combination or an asset acquisition are capitalized, as are costs to acquire rights to a mineral property, including land and surface rights. Acquisition costs include cash consideration and the fair value of common shares and other equity instruments issued as consideration.

Mineral property is recorded at cost, less accumulated depletion and depreciation, and impairment losses. Capitalized acquisition costs are depleted when commercial production begins using the unit-of-production method. Capitalized acquisition costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverability of the carrying amount of mineral property is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned or when the capitalized costs are no longer considered recoverable, the amounts capitalized are written down to management’s estimate of the net recoverable amount.

Although the Company has taken steps to verify title to the mineral properties in which it has an interest, these procedures do not guarantee the Company’s title.

### (d) Exploration and evaluation expenditures

Exploration and evaluation expenditures, other than for exploration and evaluation assets acquired through a business combination or an asset acquisition, or for the acquisition of land and surface rights, are expensed as incurred. The exploration and evaluation expenditures incurred prior to the Company obtaining the legal rights to explore an area of interest are recorded as property investigation, and expenditures from the date legal rights are obtained and approved by the Exchange are recorded as exploration expenditures.

### (e) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, to which the asset belongs.

An asset or cash-generating unit’s recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset or group of assets in an arm’s length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or group of assets is reduced to its recoverable amount and an impairment loss is recognized in profit or loss. The allocation of an impairment loss for a group of assets is based on the relative carrying amounts of those assets at the date of impairment.

## 3. Significant accounting policies (continued)

### (e) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or group of assets is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or group of assets in prior years. A reversal of an impairment loss is recognized in profit or loss in the period the reversal occurs.

### (f) Decommissioning provision

An obligation to incur future reclamation, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs, discounted to their net present value, are provided for and recorded as a liability with a corresponding amount capitalized and included in the carrying amount of the asset, when the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money is used to calculate the net present value. The capitalized costs are charged to profit or loss over the economic life of the related asset, using either the unit-of-production or the straight-line method, depending on the nature of the related asset. The liability is adjusted at the end of each reporting period for the unwinding of the discount rate, and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. The unwinding of the discount is recorded as accretion expense and included in finance cost. Changes to the liability amount resulting from changes to the estimated future cash flows required to settle the obligation are also capitalized and included in the carrying amount of the related asset.

### (g) Share capital

***Common shares***
Common shares issued are classified as equity. Transaction costs directly attributable to the issuance of common shares and other equity instruments of the Company are recognized as a deduction from share capital or other equity.

***Equity units***
The proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method. Under the residual value method, proceeds are allocated first to share capital up to the fair value of the common shares at the time of issuance, determined by reference to the quoted market price of the common shares on the issuance date, with the residual amount of proceeds, if any, allocated to the reserve for warrants.

***Flow-through shares and units***
The issuance of flow-through shares represents an issuance of common shares and the sale of rights to tax deductions to the investors when the flow-through shares are issued. The sale of rights to tax deductions is deferred and presented as a liability in the statement of financial position. The proceeds received from flow-through shares are allocated between share capital, warrants, if any, and other liability using the residual method. Under the residual method, the proceeds are allocated first to share capital up to the fair value of the common shares at the time of issuance, determined by reference to the quoted market price of the common shares on the issuance date, with the residual amount of proceeds, if any, allocated to the fair value of warrants, and then to other liability.

The Company fulfils its obligation to the investors when it renounces the right to the tax deductions and the eligible expenditures are incurred. Upon fulfilment of the Company's obligation, the amount initially recognized as a liability is extinguished and recognized in profit or loss. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

## 3. Significant accounting policies (continued)

### (h) Stock options and warrants

All stock options and warrants are included in reserves, a component of equity, until exercised. Upon exercise, the consideration received plus the amounts in reserves attributable to the options and/or warrants being exercised are credited to share capital.

### (i) Share-based payments

Share-based payment arrangements whereby the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

The fair value of options granted to employees, officers, directors and consultants providing similar services that are expected to eventually vest is recognized as share-based payment over the vesting period with a corresponding increase in reserves. The fair value is estimated using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted and using market related inputs as of the grant date. Each tranche of options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of options that will eventually vest are accounted for prospectively at the end of each reporting date. The Black-Scholes option pricing model considers the following factors:

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

Equity instruments issued as consideration for the purchase of non-monetary assets are measured based on the quoted market price of the common shares on the date the shares are issued.

### (j) Income taxes

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on taxable income for the period.

Deferred tax is provided for using the asset and liability method of accounting, whereby deferred tax assets and liabilities are recognized for the future tax effects of differences between the carrying amounts of assets and liabilities in the statement of financial position and the tax bases of the assets and liabilities (temporary differences), unused tax losses and other income tax deductions. Temporary differences on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss are not provided for. Deferred tax assets and liabilities are measured based on the expected manner of realization or settlement of the carrying amounts of the related assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## 3. Significant accounting policies (continued)

### (k) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

## 4. Critical judgments in applying accounting policies and key sources of estimation uncertainty

***Critical judgments***
The Company has made the following critical judgments, apart from those involving estimations, in the process of applying its accounting policies that have the most significant effect on the amounts recognized in the financial statements:

*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. See note 1 for more information.

*Impairment of mineral properties*
The Company's mineral property represents acquisition costs relating to the Company's mineral properties. At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, which is the greater of the asset's value in use and fair value less costs to sell. The Company considers both external and internal sources of information in assessing whether there are any indications that the Company's mineral properties are impaired.

***Key sources of estimation uncertainty***
The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that may have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

*Income taxes*
The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

As at October 31, 2019 and 2018, the Company has unused tax losses and other income tax deductions for which it has not recognized any deferred tax assets. Changes in any of the above-mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period.

## 4. Critical judgments in applying accounting policies and key sources of estimation uncertainty (continued)

***Key sources of estimation uncertainty* (continued)**

*Provision for decommissioning*
An obligation to incur future reclamation, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. As at October 31, 2019 and 2018, management has determined that the Company has no material obligation for decommissioning.

*Share-based payments and fair value of warrants*
Assumptions are used in determining the fair value of stock options and warrants which are subject to the limitation of the Black-Scholes option pricing model that requires market data and estimates used by the Company in the assumptions. These inputs are subjective assumptions and changes in these inputs can materially affect the fair value estimated.

## 5. Accounting standards not yet effective

**IFRS 16 *Leases* ("IFRS 16")**
This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

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

This standard is effective for the Company's annual period beginning on November 1, 2019. The Company does not anticipate the adoption of IFRS 16 to result in any significant changes to its assets and liabilities as there are no leases.

## 6. Reclamation deposit

The Company was required to post a security deposit of $190,000 in favor of the Ministry of Energy and Mines of British Columbia prior to commencement of surface work at the Star Project. A security deposit for this amount was posted with a Canadian financial institution and bears interest between the rates of 1.0% to 1.25%.

**(Expressed in Canadian Dollars)**

## 7. Equipment

| | Computer Equipment | Office Furniture | Field Equipment | Vehicle | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at October 31, 2017, 2018 and 2019** | $ 15,523 | $ 2,236 | $ 28,186 | $ 13,704 | $ 59,649 |
| | | | | | |
| **Accumulated amortization** | | | | | |
| As at October 31, 2017 | $ 9,389 | $ 948 | $ 6,516 | $ 5,551 | $ 22,404 |
| Amortization | 3,374 | 257 | 4,334 | 2,446 | 10,411 |
| As at October 31, 2018 | 12,763 | 1,205 | 10,850 | 7,997 | 32,815 |
| Amortization | 1,518 | 206 | 3,468 | 1,712 | 6,904 |
| **As at October 31, 2019** | $ 14,281 | $ 1,411 | $ 14,318 | $ 9,709 | $ 39,719 |
| | | | | | |
| **Carrying value** | | | | | |
| As at October 31, 2018 | $ 2,760 | $ 1,031 | $ 17,336 | $ 5,707 | $ 26,834 |
| **As at October 31, 2019** | **$ 1,242** | **$ 825** | **$ 13,868** | **$ 3,995** | **$ 19,930** |

## 8. Mineral properties

The Company capitalizes costs of mineral property option payments for cash and share issuances and the related transaction costs for the Ontario Projects in Ontario and the Star Property in British Columbia.

| | Ontario Projects | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Costs** | **Ashley** | **Matachewan** | **Wydee** | **Galahad** | **Egan** | **Currie** | **Star** | **Total** |
| Balance, October 31, 2017 | $229,096 | $22,210 | $22,560 | $83,517 | $ - | $ - | $446,215 | $ 803,598 |
| Option payments | - | - | - | - | 57,800 | 20,000 | - | 77,800 |
| Share issuances | - | 9,375 | 9,375 | - | 20,900 | 21,000 | - | 60,650 |
| Transaction costs | - | - | - | - | 17,530 | 983 | 500 | 19,013 |
| Write-off | (229,096) | - | - | - | - | - | - | (229,096) |
| Balance, October 31, 2018 | - | 31,585 | 31,935 | 83,517 | 96,230 | 41,983 | 446,715 | 731,965 |
| Option payments | - | 5,000 | - | - | - | - | - | 5,000 |
| Share issuances | - | 18,000 | 7,500 | - | - | - | - | 25,500 |
| Transaction costs | - | 1,690 | - | - | 20,191 | - | - | 21,881 |
| Write-off | - | - | - | - | (116,421) | (41,983) | - | (158,404) |
| **Balance, October 31, 2019** | **$ -** | **$56,275** | **$39,435** | **$83,517** | **$ -** | **$ -** | **$446,715** | **$ 625,942** |

## 8. Mineral properties (continued)

### (a) Ontario Projects, Ontario, Canada

The Company entered into three definitive agreements consisting of the options to earn a 100% interest to acquire the Ashley Gold Mine, a 90% interest in the extensive land position surrounding the Ashley Gold Mine and Young Davidson Mine Area in the Cadillac Larder Lake Fault Area and to acquire mineral claims surrounding the Ashley Gold Mine.

**Ashley**

On February 22, 2016 ("Ashley Effective Date"), the Company entered into a definitive agreement (the "Ashley Option Agreement") with four arm's length individuals (collectively, the "Optionors"), whereby the Optionors have granted the Company the option to acquire a 100% interest in the Ashley Gold Mine and surrounding claims in central Ontario (the "Ashley Property"). The Ashley Option Agreement requires the Company to make cash payments totaling $700,000, the issuance of 1,700,000 Prosper shares and work expenditures totaling $250,000 over three years in order for the Company to earn a 100% interest in the Ashley Property as follows:

(i) Issue an aggregate 200,000 shares and pay an aggregate of $30,000 on or before five business days of the approval of the Exchange (issued and paid);
(ii) Pay an aggregate $30,000 on or before six months of the Ashley Effective Date (paid on August 5, 2016);
(iii) Issue an aggregate 200,000 shares, make aggregate payments of $80,000 and incur $50,000 of exploration expenditures on or before 12 months of the Ashley Effective Date (paid and issued);
(iv) Issue an aggregate 300,000 shares, make aggregate payments of $120,000 and incur expenditures of $100,000 on or before 24 months of the Ashley Effective Date (expenditures incurred, (*) shares not issued and payment unpaid); and
(v) Issue an aggregate 1,000,000 shares, make aggregate payments of $440,000 and incur expenditures of $100,000 on or before 36 months of the Ashley Effective Date.

The option agreement is subject to a 3% net smelter returns royalty ("NSR"), 2% of which can be purchased by the Company upon payment of $2,500,000 to the Optionors.

(*) On April 24, 2018, the Ashley Option Agreement entered into on February 22, 2016 with the Optionors has been terminated. The option costs of $229,096 has been written off in accordance with level 3 of the fair value hierarchy.

**Matachewan and Wydee**

On February 25, 2016 ("Alexandria Effective Date"), the Company entered into a definitive agreement (the "Alexandria Option Agreement") with Alexandria Minerals Corporation ("Alexandria"), whereby Alexandria has granted the Company the option to acquire a 90% interest in the Wydee and Matachewan claims in central Ontario (collectively, the "Alexandria Properties"). The Alexandria Option Agreement requires the Company to issue 750,000 Prosper shares and for work expenditures totaling $5,000,000 over five years in order for the Company to earn a 75% interest ("First Alexandria Option") in both the Wydee and Matachewan claims as follows:

(i) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) on or before five business days after the receipt of the required approval of the Exchange of the agreement (issued);
(ii) Incur $120,000 ($60,000 for Wydee and $60,000 for Matachewan) in expenditures, including airborne survey on the property on or before six months after the Alexandria Effective Date (incurred);
(iii) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) (note 9(c)) on or before 24 months after the Alexandria Effective Date (issued);
(iv) Issued 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) (note 9(c)) on or before 36 months after the Alexandria Effective Date (issued February 22, 2019);
(v) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) on or before 48 months after the Alexandria Effective Date (issued February 18, 2020); and
(vi) Issue 150,000 shares (75,000 shares for Wydee and 75,000 shares for Matachewan) and incur an additional $4,880,000 ($2,440,000 for Wydee and $2,440,000 for Matachewan) on expenditures on or before 60 months of the Alexandria Effective Date.

**(Expressed in Canadian Dollars)**

## 8. Mineral properties (continued)

### (a) Ontario Projects, Ontario, Canada (continued)

**Matachewan and Wydee (continued)**
Upon the Company acquiring a 75% interest in the Alexandria properties, the Company and Alexandria will enter into a joint venture for the exploration and development of the Alexandria property. The Company may elect to exercise the First Alexandria Option to only one of the claims within 60 months of the Alexandria Effective Date by issuing an additional 125,000 shares to Alexandria.

Subject to the First Alexandria Option, Alexandria grants the Company the exclusive irrevocable right and option to acquire an additional 15% interest ("Second Alexandria Option") upon the delivery of and acceptance by Alexandria of a resource estimate report that delineates a minimum of 1,500,000 ounces of gold on the property.

**Galahad**
On April 20, 2016, the Company entered into a purchase agreement (the "Purchase Agreement") with JCML Resources Inc. ("JCML"), whereby the Company agreed to acquire 13 mineral claims ("Galahad") surrounding the Ashley Gold Mine for $50,000 and 100,000 Prosper shares. The Company issued the 100,000 common shares at a price of $0.26 per share and paid $50,000 for the acquisition in 2016.

During the 2017 fiscal year, the Company received a grant for $145,328 from the Junior Exploration Assistance Program from the Ontario Prospectors Association, which has been offset against exploration expenditures.

**Egan Purchase**
On December 18, 2017, the Company entered into a purchase agreement to acquire a 100% interest in the mineral claims commonly referred to as the "Ontario Claims". Pursuant to the terms of the purchase agreement, the Company must pay the vendors a total of $6,000 (paid) within 5 days of the signing of the agreement and issue to the vendors a total of 120,000 common shares (issued February 9, 2018) (note 9(c)) of the Company within 5 days of receiving the required approval from the Exchange.

Upon the Company acquiring the 100% interest in the Ontario Claims, the Company will grant the vendors a 1% NSR over the property which can repurchased by the Company upon payment of $1,000,000 to the vendors.

During the year ended October 31, 2019, the Company wrote-off the costs of $25,720 for the Egan Purchase in accordance with level 3 of the fair value hierarchy as the Company no longer intends to pursue this project.

**Egan Property**
On January 22, 2018, the Company signed an option agreement to acquire a 100% interest in the mineral claims comprising the Egan Property, Ontario. The Company is required to pay an aggregate of $500,000 to the optionors and to issue an aggregate of 1,100,000 common shares of the Company within 40 months after the execution of a definitive agreement. The Letter of Intent ("LOI") executed on November 6, 2017 included a payment of $6,000 paid to the optionors. The schedule of cash and share payments are as follows:

| Due Dates | Shares to be Issued | Cash Payments |
|---|---|---|
| Upon signing the LOI | - | $6,000 (paid) |
| Within 10 business days of Exchange approval following execution of the definitive agreement | 100,000 (issued February 19, 2018) (note 9(c)) | An additional $44,000 (paid February 15, 2018) |
| Within 12 months after execution of the definitive agreement | An additional 200,000 (*not issued) | An additional $75,000 (* not paid) |
| Within 30 months after execution of the definitive agreement | An additional 300,000 | An additional $125,000 |
| Within 42 months after execution of the definitive agreement | An Additional 500,000 | An additional $250,000 |
| Total | 1,100,000 | $500,000 |

## 8. Mineral properties (continued)

### (a) Ontario Projects, Ontario, Canada (continued)

**Egan Property (continued)**
The optionors hold a 3% NSR interest of which 2% may be purchased by the Company for $2,500,000 upon the Company acquiring a 100% interest in the property.

Prior to the date the option is exercised, the optionors will not be required to contribute to the costs of the property until the Company exercises its option and from then, all benefits, rights, profits, obligations, expenses, losses and liabilities to be derived from the property shall be allocated to or borne by the Company and the optionors in accordance with their respective interests.

If the Company acquires additional properties within a three-kilometer area of interest parallel to all existing borders of the properties, such additional properties will be subject to a 2% NSR royalty in favor of the optionors, of which 1% may be purchased by the Company for $1,000,000.

Any additional adjacent property purchased by the optionors on behalf of the Company, with the Company's consent, will be charged to the Company at the cost of acquisition and subject to a 2% NSR royalty of which 1% may be purchased for $1,000,000 with the exception of claims that have an existing third-party NSR.

The Company also paid an additional $1,800 for new claims during the 2018 fiscal year.

(*) During the year ended October 31, 2019, the Company terminated the agreement entered into on January 22, 2018. Cost of $70,510 for mineral claims for the Egan Property was written off in accordance with level 3 of the fair value hierarchy.

**Currie Property**
On February 8, 2018, the Company entered in to an option agreement to acquire the exclusive right and option to acquire a 100% interest in the property. In order for the Company to exercise the option, the Company shall:

(a) On or before 30 business days after the receipt of the required approvals of the Exchange:
- (i) Issue an aggregate of 200,000 shares (issued)
- (ii) Pay an aggregate of $20,000 cash (paid)

(b) On or before 18 months after the effective date:
- (i) Issue an aggregate of 250,000 common shares (*not issued)
- (ii) Pay aggregate of $110,000 cash (*not paid)

Upon the exercise of the option, the Company is subject to a 2% NSR and may repurchase 1% of the property royalty upon payment to the optionors $1,000,000.

(*) During the year ended October 31, 2019, the Company terminated the option agreement and wrote off the costs $41,983 in accordance with level 3 of the fair value hierarchy.

**Ontario Property – Egan Township**
On December 17, 2018, the Company acquired 100% interest in the mineral property known as the Ontario Property in the District of Cochrane located in the Egan Township. The Company paid cash of $20,191. The property is no longer in use and the amount of $20,191 has been written off during the year.

**Matachewan Land Package**
On March 21, 2019, the Company entered into a purchase agreement and acquired 100% interest in 64 mineral claims and 6 mining patents. The Company paid $5,000 and issued 150,000 common shares at $0.07 per share. Share issue costs of $1,690 were paid for legal fees and filing fees with the Exchange.

**(Expressed in Canadian Dollars)**

## 8. Mineral properties (continued)

### (b) Star Property, British Columbia, Canada

Pursuant to an option agreement dated July 15, 2013 between the Company and Firesteel Resources Inc. ("Firesteel") (the "Option Agreement"), the Company has the exclusive option to earn up to an 80% interest in 19 mining claims on the Star property (formerly the Sheslay property), a copper-gold discovery located northwest of Telegraph Creek, British Columbia, in the Stikine Arch area of northwestern British Columbia, in exchange for cash payments, the issuance of common shares and exploration expenditures over four years as follows:

Pursuant to the option agreement (the "First Option"), the Company has earned a 51% interest in the Star property by:
- Making cash payments to Firesteel totalling $300,000 over 18 months (paid);
- Issuing a total of 300,000 Prosper common shares to Firesteel (issued); and
- Incurring exploration expenditures totalling $1,000,000 over 18 months (incurred).

The Company has an additional option (the "Second Option") to earn an additional 19% interest, thereby increasing its total interest in the Property to 70%, which may be exercised by:
- Making cash payments to Firesteel totalling $200,000 over 36 months (due by August 30, 2016) (unpaid);
- Issuing a total of 200,000 Prosper common shares to Firesteel over a period of 36 months (due by August 30, 2016) (unissued); and
- Incurring exploration expenditures totalling $2,000,000 over 36 months (incurred).

The Company has an additional option (the "Third Option") to earn an additional 10% interest, thereby increasing its total interest in the Property to 80%, which may be exercised by:
- Making cash payments to Firesteel totalling $500,000 over 48 months (due by August 30, 2017);
- Issuing a total of 500,000 Prosper common shares to Firesteel over a period of 48 months (due by August 30, 2017); and
- Incurring exploration expenditures totalling $2,000,000 over 48 months (due by August 30, 2017).

Rather than making the Second Option payment and issuance of common shares due by August 30, 2016 and the Third Option payment and issuance of common shares due by August 30, 2017, the Company and Firesteel entered into a joint venture agreement on August 30, 2016. The Company has a 51% ownership of the Star Property. The joint venture agreement specifies that the Company and Firesteel will contribute funds to continue exploration on the Star Property pro-rata, based on their percentage of ownership; 51% to be contributed by Prosper and 49% to be contributed by Firesteel.

The underlying royalty holders are entitled to a 2% NSR on the property. The Company has the option to purchase the 2% royalty entitlement for $2,000,000.

**Exploration and evaluation expenditures**

During the years ended October 31, 2019 and 2018, the Company's exploration expenditures consist of the following:

| | Ontario Projects | | Star Property | |
|---|---|---|---|---|
| | **October 31, 2019** | October 31, 2018 | **October 31, 2019** | October 31, 2018 |
| Assay and analysis | **$ 94,171** | $ 61,660 | **$ -** | $ - |
| Drilling | **461,204** | 55,315 | **-** | - |
| Field costs (note 12(b)) | **172,127** | 195,226 | **2,400** | 3,150 |
| Geological (note 12(a)) | **26,350** | 129,560 | **-** | - |
| Transportation and freight | **9,162** | 13,230 | **-** | - |
| Travel and accommodations | **8,324** | 4,437 | **-** | - |
| | **$ 771,338** | $ 459,428 | **$ 2,400** | $ 3,150 |

## 9. Share capital

### (a) Authorized

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

### (b) Private placements

Private placement activity for the year ended October 31, 2019 were as follows:

i) On November 29, 2018, the Company completed a private placement of $250,000 for the issuance of 2,500,000 units at $0.10 per unit. Each unit contains one common share and one share purchase warrant for one common share exercisable at $0.15 per share, expiring in 24 months. Of the proceeds from the unit private placement, $25,000 has been allocated to reserves for the warrants based on the market price of the Company's shares at the time of issue. Share issue costs of $5,377 were incurred.

ii) On December 17, 2018, the Company completed a non-brokered private placement of $350,000 through the issuance of 2,916,667 units of flow-through shares at a price of $0.12 per unit. Each flow-through unit consists of one common share and one half of one non-transferable non-flow through common share purchase warrants. Each non-flow through warrant entitles the holder to purchase one common share at an exercise price of $0.17 for a period of 24 months from the closing date.

Finder's fees totalling $16,500 in cash were paid and 137,500 common share purchase warrants were issued. Each Finder's warrant is non-transferable and exercisable for one common share at $0.17 for a period of 24 months from the closing date. The Finder's warrants issued had a fair value of $6,105. Additional share issue costs for legal and filing fees of $12,630 were incurred.

Of the proceeds from the flow-through unit private placement, $64,750 has been allocated to reserves for the one-half warrants in the flow-through private placement units based on the market price of the Company's share used for the issuance and $8,167 has been allocated to flow-through premium liability. The Company has incurred $350,000 in qualified expenditures from the flow-through financing during the year ended October 31, 2019, and as a result, the flow-through premium liability of $8,167 has been recorded and recognized as other income.

iii) On September 9, 2019, the Company completed a non-brokered private placement of 20,000,000 units at a price of $0.05 per unit for a gross proceed of $1,000,000. Each warrant entitles the holder to acquire one common share at a price of $0.08 and expires in 24 months. In connection of the private placement, finder's fees totaling $24,000 in cash were paid and 480,000 common share purchase warrants with a fair value of $17,280 were issued. Additional cash $16,885 were paid for legal, transfer agent and filing fees.

Private placement activity for the year ended October 31, 2018 were as follows:

i) On February 28, 2018, the Company closed a non-brokered private placement of $500,000 for issuance of 5,000,000 units consisting of one common share and one common share purchase warrants. Each warrant has an exercise price of $0.15, expiring in 24 months. In connection to the private placement, the Company paid finder's fee of $2,500 and issued 25,000 broker warrants with an exercise price of $0.15 which expires in 24 months from the closing date. The Company incurred a total of $38,328 for share issue costs which include legal and filing fees of $37,101 and $1,227 for the fair value of the broker warrants.

## 9. Share capital (continued)

### (c) Shares issued for property

During the year ended October 31, 2019, the Company issued 300,000 common shares with a total value of $25,500 for the following properties:

Matachewan – 75,000 common shares with a value of $7,500
Wydee – 75,000 common shares with a value of $7,500
Matachewan Land Package – 150,000 common shares with a value of $10,500

During the year ended October 31, 2018, the Company issued 570,000 common shares with a total value of $60,650 for the following properties:

Egan Purchase – 120,000 common shares with a value of $11,400
Egan Option – 100,000 common shares with a value of $9,500
Matachewan – 75,000 common shares with a value of $9,375
Wydee – 75,000 common shares with a value of $9,375
Currie Property – 200,000 common shares with a value of $21,000

## 10. Options and warrants

### (a) Stock option plan

The Company has a stock option plan under which the Board of Directors may from time to time grant to directors, senior officers, consultants and employees options to acquire common shares, exercisable for a period of up to ten years from the date of grant. The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall not exceed 10% of the total issued and outstanding common shares. The maximum number of common shares that may be reserved for issuance to any individual insider pursuant to stock options may not exceed 5% of the common shares issued and outstanding at the time of grant, and the number of common shares that may be reserved for issuance to all technical consultants pursuant to stock options may not exceed 2% of the common shares issued and outstanding at the time of grant. Options become exercisable as long as the optionee holds office or continues to be employed by the Company and 90 days following the cessation of an optionee's position with the Company.

### (b) Stock options

During the year ended October 31, 2019, the Company had the following stock option activities:

i) On December 17, 2018, 2,400,000 stock options were granted to directors, an officer and consultants of the Company with an exercise price of $0.15. The stock options have an expiry period of 5 years and have a vesting term of 25% every six months. Each stock options have a fair value of $0.105 on the date of grant.

ii) On February 14, 2019, 25,000 stock options and on May 20, 2019, 875,000 stock option both expired unexercised.

**(Expressed in Canadian Dollars)**

## 10. Options and warrants (continued)

### (b) Stock options (continued)

During the year ended October 31, 2018, the Company had the following stock option activities:

i) On March 5, 2018, the Company granted 800,000 stock options to directors, an officer and a consultant of the Company with an exercise price of $0.15. The stock options have an expiry period of 5 years, a vesting term of 25% every six months and a fair value on the grant date of $0.12.

ii) On June 1, 2018, 25,000 unvested options with an exercise price of $0.345 and 10,500 unvested options with an exercise price of $0.20 expired due to the departure of an employee.

iii) On August 29, 2018, the following stock options that were vested expired unexercised due to the departure of an employee:
   a) 25,000 options exercisable at $0.20 with expiry date of August 30, 2018
   b) 21,104 options exercisable at $0.24 with expiry date of May 31, 2021
   c) 75,000 options exercisable at $0.345 with expiry date of September 2, 2021
   d) 10,500 options exercisable at $0.20 with expiry date of January 23, 2022

On August 30, 2018, stock options of 1,675,000 granted on August 30, 2013 have expired with no options exercised.

A total of $34,847 for these options have been reversed to deficit during the year ended October 31, 2018.

A continuity schedule of the Company's outstanding stock options under the stock option plan is as follows:

| | Number Outstanding | Weighted Average Exercise Price |
|---|---|---|
| At October 31, 2017 | 4,642,104 | $0.23 |
| Granted | 800,000 | $0.15 |
| Forfeited | (131,604) | $0.31 |
| Expired | (1,710,500) | $0.20 |
| At October 31, 2018 | 3,600,000 | $0.22 |
| Granted | 2,400,000 | $0.15 |
| Expired | (900,000) | $0.20 |
| **At October 31, 2019** | **5,100,000** | **$0.19** |

As at October 31, 2019, the Company had the following share purchase options outstanding and exercisable:

| Expiry Date | Exercise Price | Options Outstanding | Fair Value at Grant Date | Remaining Contractual Life (yrs) | Options Exercisable |
|---|---|---|---|---|---|
| May 31, 2021 | $ 0.240 | 700,000 | $ 0.184 | 1.58 | 700,000 |
| September 2, 2021 | $ 0.345 | 700,000 | $ 0.267 | 1.84 | 700,000 |
| January 23, 2022 | $ 0.200 | 500,000 | $ 0.185 | 2.23 | 500,000 |
| March 5, 2023 | $ 0.150 | 800,000 | $ 0.012 | 3.35 | 600,000 |
| December 17, 2023 | $ 0.150 | 2,400,000 | $ 0.105 | 4.13 | 600,000 |
| | | **5,100,000** | **$ 0.148** | **3.16** | **3,100,000** |

**(Expressed in Canadian Dollars)**

## 10. Options and warrants (continued)

### (b) Stock options (continued)

As at October 31, 2018, the Company had the following stock options outstanding and exercisable:

| Expiry Date | Exercise Price | Options Outstanding | Fair Value at Grant Date | Remaining Contractual Life (yrs) | Options Exercisable |
|---|---|---|---|---|---|
| February 14, 2019 | $ 0.200 | 25,000 | $ 0.361 | 0.29 | 25,000 |
| May 20, 2019 | $ 0.200 | 875,000 | $ 0.354 | 0.55 | 875,000 |
| May 31, 2021 | $ 0.240 | 700,000 | $ 0.184 | 2.59 | 700,000 |
| September 2, 2021 | $ 0.345 | 700,000 | $ 0.267 | 2.84 | 700,000 |
| January 23, 2022 | $ 0.200 | 500,000 | $ 0.185 | 3.23 | 375,000 |
| March 5, 2023 | $ 0.150 | 800,000 | $ 0.012 | 4.35 | 200,000 |
| | | **3,600,000** | **$ 0.228** | **2.61** | **2,875,000** |

The total fair value of the incentive options and broker warrants were calculated using the Black-Scholes option pricing model with the following weighted average assumptions and inputs:

| | **October 31, 2019** | October 31, 2018 |
|---|---|---|
| Risk-free interest rate | **1.85%** | 1.19% |
| Expected volatility | **106%** | 109% |
| Expected life | **4.45 years** | 1.99 years |
| Expected dividend yield | **-** | - |
| Share price | **$ 0.10** | $ 0.22 |
| Exercise price | **$ 0.15** | $ 0.24 |
| Expected forfeitures | **0.00%** | 0.00% |

Expected stock price volatility was derived from an average volatility based on historical movements in the closing prices of comparable companies' stock for a length of time equal to the expected life of the options.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0.00% in determining the expense recorded in the accompanying statements of comprehensive loss.

The fair value of the incentive options during the year ended October 31, 2019 of $147,030 (2018 - $110,268) was recognized as share-based payments. The balance consists of $143,724 (2018 - $102,557) to directors and officers, and $3,306 (2018 - $7,711) to consultants.

### (c) Warrants

A continuity schedule of the Company's outstanding warrants is as follows:

| | Number Outstanding | Weighted Average Exercise Price |
|---|---|---|
| At October 31, 2017 | 13,021,194 | $ 0.38 |
| Issued – warrants for private placement | 5,000,000 | $ 0.15 |
| Issued – broker warrants | 25,000 | $ 0.15 |
| At October 31, 2018 | 18,046,194 | $ 0.32 |
| Issued – warrants for private placements | 23,958,333 | $ 0.09 |
| Issued – broker warrants | 617,500 | $ 0.10 |
| Expired | (10,348,675) | $ 0.31 |
| **At October 31, 2019** | **32,273,352** | **$ 0.14** |

## 10. Options and warrants (continued)

### (c) Warrants (continued)

On February 28, 2018, 5,000,000 warrants were issued as part of the unit private placement which consisted of one common share and one common share purchase warrant. In addition, 25,000 warrants were issued as finder's fees. The warrants have an exercise price of $0.15 and expires on February 28, 2020.

During the 2019 fiscal year, the 23,958,333 warrants and 617,500 broker warrants were issued in conjunction of the private placements:

- November 29, 2018 – 2,500,000 warrants with an exercise price of $0.15 and expires on November 29, 2020
- December 18, 2018 – 1,458,333 warrants and 137,500 broker warrants with an exercise price of $0.17 and expires on December 18, 2020
- September 9, 2019 – 20,000,000 warrants and 480,000 broker warrants with an exercise price of $0.08 and expires on September 9, 2021

In addition, 10,348,675 warrants expired unexercised as follows:

- March 24, 2019 – 3,500,000 warrants and 90,000 broker warrants
- July 6, 2019 – 4,000,000 warrants and 73,500 broker warrants
- August 5, 2019 – 2,454,425 and 230,750 broker warrants

Subsequent to the year end, 2,386,178 warrants and 286,341 broker warrants expired unexercised.

## 11. Financial instruments

The Company's financial instruments consist of cash, reclamation deposit and accounts payable and accrued liabilities.

The fair values of the Company's cash, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company considers its exposure to credit risk to be low, as its cash, and reclamation deposit are deposited with a large financial institution with a strong credit rating. Amounts receivable consists of GST receivable and credits on vendor payable balances.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations associated with its financial instruments. The Company manages liquidity risk by maintaining adequate cash and managing its capital. At October 31, 2019, the Company had accounts payable and accrued liabilities of $223,745 (2018 - $531,330) due within one year, and cash of $525,616 (2018 - $29,790).

## 11. Financial instruments (continued)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating interest earned on the Company's cash balances are considered to be at market interest rates. The deposit of $4,138 (2018 - $5,481) earns no interest and is deposited with a major bank for the Company's corporate credit card. Assuming that all variables remain constant, a change representing a 1% increase or decrease in the interest rate would not have a significant effect for the Company.

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. At October 31, 2019, the Company's monetary assets and liabilities are primarily denominated in Canadian dollars.

There has been no change to the Company's approach to risk management during the year ended October 31, 2019.

## 12. Related party transactions and balances

The Company's related parties consist of its key management personnel, including its directors, and their close family members and entities controlled by key management personnel. During the years ended October 31, 2019 and 2018, the Company had the following related party transactions:

**(a)** Key management compensation for the years ended October 31, 2019 and 2018 were as follows:

| | **Year ended October 31, 2019** | Year ended October 31, 2018 |
|---|---|---|
| Short-term benefits (recovery) | **$ (222,409)** | $ 443,222 |
| Share-based payments | **143,724** | 102,557 |
| | **$ (78,685)** | $ 545,779 |

Short-term benefits include net recovery of $231,294 (expense of $69,956 net of recovery of $301,250 relating to fees for the CEO, CFO and a director that were forgiven during the year) (2018 - $219,087) in management fees, $8,885 (expense of $170,135 net of recovery of $161,250) (2018 - $189,173) in geological exploration expenditures and $Nil (2018 - $34,962) in general and administrative.

**(b)** During the year ended October 31, 2019, the Company incurred $nil in general and administrative expenses and $nil in exploration expenses (2018 - $2,054) for rental of premise and equipment and office services to a company owned by a director and officer of the Company.

**(c)** At October 31, 2019, accounts payable and accrued liabilities include $131,250 (2018 - $433,125) due to companies controlled by directors and officers of the Company and $13,085 (2018 - $59,383) due to officers of the Company.

**(Expressed in Canadian Dollars)**

## 13. Income taxes

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

| | October 31, 2019 | October 31, 2018 |
|---|---|---|
| Net loss | **$ (981,643)** | $ (1,286,592) |
| Canadian federal and provincial statutory income tax rates | **26.75%** | 26.67% |
| Income tax benefit based on Canadian statutory income tax rates | **(262,589)** | (343,091) |
| Effects of the following: | | |
| Over provided in prior years | **(137)** | (163,107) |
| Effect of renounced expenditures related to flow-through shares | **91,440** | - |
| Items not deductible for tax purposes | **40,066** | 31,214 |
| Change in income tax rates | **(7,680)** | (39,174) |
| Unused tax losses and tax offsets not recognized | **138,900** | 514,158 |
| Income tax recovery | **$ -** | $ - |

At October 31, the Company had unused tax losses and tax deductions for which no deferred tax assets have been recognized as follows:

| | October 31, 2019 | October 31, 2018 |
|---|---|---|
| Non-capital losses | **$ 4,262,953** | $ 4,254,538 |
| Mineral properties | **5,235,547** | 4,653,405 |
| Equipment | **334,941** | 328,037 |
| Cumulative eligible capital | **48,169** | 48,169 |
| Capital losses | **76,566** | 76,566 |
| Share issue costs | **204,430** | 235,947 |
| | **$ 10,162,606** | $ 9,596,662 |

The non-capital losses at October 31, 2019 expire as follows:

| Expiry date | Amount |
|---|---|
| 2027 | $ 8,719 |
| 2028 | 45,807 |
| 2029 | 107,629 |
| 2030 | 107,130 |
| 2031 | 146,071 |
| 2032 | 189,297 |
| 2033 | 569,564 |
| 2034 | 916,155 |
| 2035 | 367,074 |
| 2036 | 572,193 |
| 2037 | 650,376 |
| 2038 | 575,045 |
| 2039 | 7,893 |
| | **$ 4,262,953** |

## 14. Segmented information

The Company has one reportable operating segment, being the exploration and development of the Star property in British Columbia and the Ontario Projects in Ontario both located in Canada.

## 15. Management of capital

The Company's capital includes all amounts attributable to its shareholders. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue additional shares or debt. The Company is dependent on the capital markets as its primary source of operating capital, and the Company's capital resources are largely determined by the strength of the junior resource markets.

The Company is not subject to any capital requirements imposed by regulators or other third parties.

At October 31, 2019, the Company had cash of $525,616 and working capital of $356,287. The Company will require additional capital to fund its total obligations under the Option Agreements to purchase the Star property and the Ontario Projects (note 8) and general and administrative costs. However, there is no guarantee that such financing will be available to the Company or on suitable terms.

There were no changes in the Company's approach to capital management during the year ended October 31, 2019.

## 16. Subsequent event

During February 2020, the Company issued 150,000 shares for the Matachewan and Wydee claims per the February 25, 2016 option agreement.