DISTRICT COPPER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
OCTOBER 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
District Copper Corp.

Opinion

We have audited the accompanying financial statements of District Copper Corp. (the "Company"), which comprise the statements of financial position as at October 31, 2019 and 2018, and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as 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 Auditor's 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 audit 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 of the financial statements, which indicates that the Company incurred a net loss of $11,255,215 during the year ended October 31, 2019 and, as of that date, the Company's total deficit was $17,628,773. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the 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.

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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

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

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 20, 2019

DISTRICT COPPER CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at October 31, 2019	As at October 31, 2018
ASSETS		
Current Assets		
Cash	**$ 50,184**	$ 373,434
GST receivable	**25,196**	12,406
Total Current Assets	**75,380**	385,840
Reclamation Deposits (Note 5)	**212,000**	212,000
Exploration and Evaluation Assets (Note 6)	**2,782,725**	12,079,631
Total Assets	**$ 3,070,105**	$ 12,677,471
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 156,619**	$ 158,194
Flow-through premium liability (Note 8)	**15,542**	43,484
Total Current Liabilities	**172,161**	201,678
Decommissioning Provision (Note 7)	**237,218**	235,327
Total Liabilities	**409,379**	437,005
Shareholders' Equity		
Share capital (Note 8)	**20,250,701**	18,581,403
Share-based payment reserve	**38,798**	247,970
Deficit	**(17,628,773)**	(6,588,907)
Total Shareholders' Equity	**2,660,726**	12,240,466
Total Liabilities and Shareholders' Equity	**$ 3,070,105**	$ 12,677,471

Nature and continuance of operations (Note 1)

These financial statements were approved and authorized for issue by the Board of Directors on December 20, 2019 by

"Jevin Werbes"	"Chris Healey"
Chief Executive Officer	Director

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

DISTRICT COPPER CORP.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		Year Ended October 31, 2019		Year Ended October 31, 2018
Operating Expenses				
Accretion (Note 7)	**$**	**1,891**	$	92
Consulting (Note 10)		**249,300**		588,936
Director fees (Note 10)		**18,500**		20,000
Office		**15,337**		21,250
Professional fees		**56,301**		31,044
Promotion and entertainment		**41,984**		10,593
Rent		**19,000**		21,000
Shareholder communications		**16,462**		26,919
Transfer agent and regulatory fees		**16,600**		47,487
Travel		**-**		21,593
Loss Before Non-Operating Items		**435,375**		788,914
Non-Operating Items				
Flow-through premium income (Note 8)		**(145,942)**		(118,275)
Interest income		**(1,255)**		(1,084)
Impairment of property (Note 6)		**10,967,037**		-
Net and Comprehensive Loss		**11,255,215**		669,555
Basic and Diluted Loss per Share	**$**	**0.09**	$	0.01
Weighted Average Number of Shares Outstanding – Basic and Diluted		**122,292,303**		70,065,400

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

DISTRICT COPPER CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Shares	Amount	Share-Based Payment Reserve	Deficit	Total Equity
Balance, November 1, 2017	55,121,266	$ 16,236,603	$ 247,970	$ (5,919,352)	$ 10,565,221
Shares issued for cash	25,220,352	2,049,980	-	-	2,049,980
Flow-through premium liability	-	(161,759)	-	-	(161,759)
Shares issued for property	3,900,000	624,000	-	-	624,000
Share issuance costs	-	(167,421)	-	-	(167,421)
Net loss for the year	-	-	-	(669,555)	(669,555)
Balance, October 31, 2018	**84,241,618**	**$ 18,581,403**	**$ 247,970**	**$ (6,588,907)**	**$ 12,240,466**
Shares issued for cash	11,800,000	590,000	-	-	590,000
Flow-through premium liability	-	(118,000)	-	-	(118,000)
Shares issued for properties	40,700,000	1,224,500	-	-	1,224,500
Shares issued for finders' fees	200,000	6,000	-	-	6,000
Broker finders' warrants	-	-	6,177	-	6,177
Share issuance costs	-	(33,202)	-	-	(33,202)
Reversal of share-based payment reserve	-	-	(215,349)	215,349	-
Net loss for the period	-	-	-	(11,255,215)	(11,255,215)
Balance, October 31, 2019	**136,941,618**	**$ 20,250,701**	**$ 38,798**	**$(17,628,773)**	**$ 2,660,726**

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

DISTRICT COPPER CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended October 31, 2019	Year Ended October 31, 2018
Cash Used in Operating Activities		
Net loss	**$ (11,255,215)**	$ (669,555)
Items not affecting cash		
Accretion	**1,891**	92
Flow-through premium income	**(145,942)**	(118,275)
Impairment of Eaglehead	**10,967,037**	-
Changes in non-cash working capital items		
Accounts payable and accrued liabilities	**33,841**	16,729
GST receivable	**(12,790)**	(8,676)
Cash Used in Operating Activities	**(411,178)**	(779,685)
Cash Used in Investing Activities		
Exploration and evaluation assets (**“E&E”**)	**(481,047)**	(642,478)
Reclamation deposit	**-**	(32,000)
Cash Used in Investing Activities	**(481,047)**	(674,478)
Cash Provided by Financing Activities		
Proceeds from share issuances, net	**568,975**	1,882,559
Repayment of loans	**-**	(127,010)
Cash Provided by Financing Activities	**568,975**	1,755,549
Increase/(decrease) in cash for the period	**(323,250)**	301,386
Cash, beginning of year	**373,434**	72,048
Cash, End of Period	**$ 50,184**	$ 373,434

Disclosure of Non-Cash Transactions		
Finders’ fee shares and warrants	**$ 12,177**	$ -
E&E assets in accounts payables	**74,016**	109,432
E&E costs from reclamation obligation	**-**	199,112
Reversal of share-based payment reserve	**215,349**	-
Shares issued for E&E assets	**1,224,500**	624,000

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

1. NATURE AND CONTINUANCE OF OPERATIONS

a) Nature of Operations

District Copper Corp. (**"District"** or the **"Company"**) was incorporated under the Canada Business Corporations Act on June 16, 2000 and is listed on the TSX Venture Exchange (**"TSX:V"**).

The Company maintains its head office at 142-1146 Pacific Blvd., Vancouver, British Columbia, Canada, V6Z 2X7.

The Company's principal business activity is the acquisition and exploration of mineral properties. The Company presently has no proven or probable reserves and based on information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

b) Continuance of Operations

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

During the year ended October 31, 2019, the Company incurred a net loss of $11,255,215 (October 31, 2018 - $669,555) and as at October 31, 2019 had an accumulated deficit of $17,628,773 (October 31, 2018 - $6,588,907). To date, the operations of the Company have been primarily funded through the issuance of common shares. The Company will require additional funding to maintain its operations for the upcoming fiscal year. If the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. Due to many external factors, including commodity prices and equity market conditions, it is not possible to predict whether future financings will be successful or available at all. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) and interpretations of the International Financial Reporting Interpretations Committee (**"IFRIC"**). These financial statements were authorized for issue by the Board on December 20, 2019.

2. BASIS OF PRESENTATION (Continued)

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar, being the currency of the economic environment of the Company's operations. The functional currency is also the presentation currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not clear from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of October 31, 2019 and 2018, the Company had no cash equivalents.

Short Term Investments

Short term investments include investments that are convertible to known amounts of cash and have a maturity of one year or less. As at October 31, 2019 and 2018, the Company had no short-term investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflect the potential dilution that could occur if dilutive securities were exercised or converted into common stock. The dilutive effect of options and warrants and their equivalent are computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred. Until there is a legal right to explore a property through an underlying agreement, the costs incurred examining the property before the agreement is signed will not be capitalized.

Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified as such. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

Facts and circumstances that indicate a test for impairment as defined in *IFRS 6 Exploration and Evaluation Assets* include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable mineral resources, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

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

Management's capitalization of exploration and evaluation costs and assumptions regarding the future recoverability of such costs are subject to significant estimation uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

<u>Mining Tax Credits</u>

Mining tax credits are recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration and evaluation assets.

Share-Based Payments

Equity-settled share-based payments for directors, officers, employees and consultants are measured at fair value using the Black-Scholes option valuation model at the stock option grant date and recorded as an expense in the financial statements with a corresponding increase in the share-based payment reserve. The fair value determined at the grant date of the equity-settled share-based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of the number of shares that will eventually vest. Consideration paid by optionees on exercise of stock options together with their fair values is credited to share capital. The fair values of expired, forfeited and cancelled options are removed from the share-based payment reserve and credited to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested at the fair value of the goods and services received and are recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive loss.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Impairment of Long-lived Assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is 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. Impairment losses are recognized in the statement of operations and comprehensive loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

New Accounting Policy

Financial Instruments

The Company adopted all of the requirements of IFRS 9*, Financial Instruments (“**IFRS 9**”)* as of November 1, 2018. IFRS 9 replaces IAS 39 - *Financial Instruments: Recognition and measurement (“**IAS 39**”)*. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“**FVTPL**”), at fair value through other comprehensive income (loss) (“**FVTOCI**”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company completed a detailed assessment of its financial assets and liabilities as at November 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Description	Classification Under IAS 39	New Classification Under IFRS 9
Cash	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other liabilities – amortized cost	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on November 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations and comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

Financial Assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations and comprehensive loss.

Decommissioning Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the decommissioning provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The decommissioning cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations and comprehensive loss. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures.

These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations and comprehensive loss for the period.

Translation of Foreign Currencies

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and are not subsequently

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

retranslated. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

Share Capital

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

Value of warrants

Proceeds from unit placements are allocated between shares and warrants using the residual value method whereby the shares are recorded at fair value and any residual is allocated to the warrant. The value of warrants issued to brokers is determined using the Black-Scholes model.

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of the common shares. Any premium, being the excess of the proceeds over the market value of the common shares, is recorded as a liability. At the later of the renouncing and the incurrence of the expenditure, the Company de-recognizes the liability, and the premium amount is recognized in the statement of operations and comprehensive loss. The Company may 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.

New Accounting Standards

The Company adopted the following accounting standards that are effective for accounting periods beginning on or after January 1, 2019:

IFRS 16, Leases

IFRS 16, Leases ("**IFRS 16**") was issued by the IASB on January 13, 2016 and replaced IAS 17, Leases. IFRS 16 eliminates the current dual accounting model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attracts interest, together with a new asset.

The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

<u>Critical Accounting Estimates</u>

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment

Assets, especially exploration and evaluation assets; are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects (see Note 6).

Decommissioning Provisions

Management's best estimates regarding the decommissioning provisions are based on the current economic environment and future cash flows. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual decommissioning provisions will ultimately depend on future prices and conditions.

<u>Critical Judgments Used in Applying Accounting Policies</u>

Going Concern

Financial statements are prepared on a going concern basis, unless management either intends to liquidate the Company or to cease trading, or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcomes of which are uncertain. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, those uncertainties are disclosed.

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which is based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is impaired in the statement of operations and comprehensive loss during the period the new information becomes available.

Income taxes

Significant judgment is required in determining the provision for future income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. RECLAMATION DEPOSITS

Per the Ministry of Mines requirements, the Company has three reclamation bonds held by the Bank of Montreal and two deposits with the Minister of Mines totalling $212,000 (October 31, 2018 - $212,000), relating to the Eaglehead Property in British Columbia. The deposits will be refunded to the Company by the Minister of Mines upon completion of reclamation to the satisfaction of the British Columbia Inspector of Mines. The reclamation bonds are being held in term GIC deposits at various interest rates.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Mineral property expenditures for the year ended October 31, 2019 are:

		Stony Lake Property
Property acquisition costs, as at October 31, 2018	$	-
Deferred exploration costs, as at October 31, 2018		-
Balance as at October 31, 2018	**$**	**-**
Additions during the year		
Assays		13,137
Camp costs		40,898
Engineering and consulting		126,265
Geophysics		46,518
Property acquisition		1,340,907
Total for the Year	**$**	**1,567,725**
Balance as at October 31, 2019	**$**	**1,567,725**

		Eaglehead Property
Property acquisition costs, as at October 31, 2018	$	1,261,512
Deferred exploration costs, as at October 31, 2018		10,818,119
Balance as at October 31, 2018		**12,079,631**
Additions during the year		
Camp costs		47,031
Engineering and consulting		33,365
Impairment of property		(10,967,037)
Reports		4,000
Storage		5,655
Travel		12,355
Total for the Year		**(10,864,631)**
Balance as at October 31, 2019	**$**	**1,215,000**

Mineral Properties		**Amount**
Eaglehead property		1,215,000
Stony Lake property		1,567,725
Balance of Mineral Properties as at October 31, 2019	**$**	**2,782,725**

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Mineral property expenditures for the year ended October 31, 2018 were:

		Eaglehead Property
Property acquisition costs, as at October 31, 2017	$	622,512
Deferred exploration costs, as at October 31, 2017		9,968,915
Balance as at October 31, 2017		**10,591,427**
Additions during the year		
Assays		40,194
Camp costs		48,801
Engineering and consulting		366,689
Property acquisition		639,000
Reclamation obligation		199,112
Storage		6,370
Supplies		3,871
Surveys		25,235
Transportation		7,438
Travel		109,337
Wages		42,157
Total for the Year		**1,488,204**
Balance as at October 31, 2018	**$**	**12,079,631**

Stony Lake Property

On February 8, 2019, the Company acquired the Stony Lake property for:

- 40,000,000 shares, valued at $1,200,000; and
- $112,407 in licence fees,
- $4,000 in claim fees.

The Stony Lake project is in central Newfoundland. The project is subject to a 2.0% NSR if the price of gold is US $2,000 per ounce or less and a 3% NSR if the price of gold is above US $2,000 per ounce.

On May 29, 2019, District acquired two additional properties. The Duffitt and the Island Pond properties are located contiguous to and within the Stony Lake gold project. The Duffitt Claims were acquired for 300,000 common shares at a value of $10,500 and a 0.75% NSR royalty from production. The Island Pond claims were acquired for a cash payment of $4,000, 400,000 common shares at a value of $14,000 and a 2.0% NSR royalty from production. District has retained the right to purchase one half of this NSR for $1,000,000.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Eaglehead Property

The Company entered into an agreement, effective October 31, 2005, with two former directors of the Company to acquire a 100% interest in the Eaglehead Property, subject to a 2.5% net smelter return ("**NSR**") royalty. The Eaglehead property is located near the Dease Lake area of north central British Columbia. The Earn-in Option was fulfilled by the Company in 2011 as a result of which the claims became 100% owned and controlled by the Company subject to a 2.5% NSR royalty of which 1.5% can be purchased by the Company for $2,000,000.

In July 2014, four mineral tenures were acquired from Copper Fox Metals Inc. ("**Copper Fox**") for $11,011. The four mineral tenures are subject to a separate 2% NSR payable to the initial vendor of the claims of which one half (1%) of the NSR can be purchased for $1,000,000.

In March 2015, District amalgamated all mineral tenures making up the Eaglehead Project into one mineral tenure.

On May 8, 2018, District acquired three additional mineral tenures located contiguous to its 100% owned Eaglehead project for $15,000 and 3,900,000 shares valued at $624,000. The vendor retains a 2% NSR on production from the project, with District retaining the right to re-purchase 1.5% of the 2% NSR for $1,000,000.

Impairment of Eaglehead

The Company has determined there were indicators of potential impairment for its Eaglehead property, including that District has no near-term plans to conduct further exploration on the property as well as the Company's decision to focus its efforts away from copper and towards gold exploration. The Company determined the Eaglehead property's recoverable amount based on the assets fair value less cost of disposal (**"FVLCD"**). Specifically, the Company looked at recent sales transactions of similar properties in Canada to estimate the FVLCD. The recoverable amount was estimated to be $1,215,000, resulting in an impairment of $10,967,037.

7. DECOMMISSIONING PROVISION

The decommissioning provision for the Eaglehead exploration and evaluation asset was estimated by management based on the Company's ownership interest, the estimated timing of the costs to be incurred in future periods, the Company's risk free interest rate of 1.32% as at October 31, 2019 (October 31, 2018 – 2.41%) and a rate of inflation of 1.90% as at October 31, 2019 (October 31, 2018 – 1.60%).

The Company has estimated the net present value of this provision at October 31, 2019 to be $237,218. (October 31, 2018 - $235,327) based on a total undiscounted liability in 2021 of $241,000 (October 31, 2018 - $241,000).

(Expressed in Canadian Dollars)

7. DECOMMISSIONING PROVISION (Continued)

		October 31, 2019		October 31, 2018
Balance, Beginning of Year	**$**	**235,327**	$	36,123
Accretion		**1,891**		92
Revision of estimate		**-**		199,112
Balance, End of Year	**$**	**237,218**	$	235,327

8. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued and Outstanding

During the year ended October 31, 2019, the Company had the following share issuances:

- On May 29, 2019, the Company issued 700,000 shares at a value of $24,500 in exchange for the Duffitt and Island Pond properties.

- On February 8, 2019, the Company closed a private placement, issuing 5,900,000 flow-through units and 5,900,000 non-flow-through units at $0.05 each per unit, for gross proceeds of $590,000. Each flow-through unit consists of one common share and one-half share purchase warrant, where each whole warrant can be exercised at $0.075 per share until August 8, 2020. Each non-flow-through unit consists of one common share and one share purchase warrant, which can be exercised at $0.05 per share until August 8, 2020.

  The warrants have an early acceleration provision wherein the warrants are callable upon 21 days' notice in the event the Company's shares trade at a price of $0.12 per share or greater for a 14 day consecutive trading period at any time after June 9, 2019.

  Finders' fees of 200,000 shares, valued at $6,000, 300,000 warrants, valued at $6,177, exercisable at $0.05 until August 8, 2020, and legal fees of $21,025 were paid with respect to this financing.

  The value of the finders' warrants was calculated using Black Sholes with an exercise price of $0.05 per share, an expected life of 18 months, a volatility rate of 188.10% and a risk-free rate of 1.77%.

  A flow through premium liability of $118,000 was recorded, which will be extinguished once the entirety of the flow-through money raised has been spent on qualifying exploration expenditures. As of October 31, 2019, the remaining flow-through premium liability was $15,542, with the reduction of $102,458 recorded as flow-through premium income in fiscal 2019.

8. SHARE CAPITAL (Continued)

- On February 8, 2019, the Company issued 40,000,000 shares at a value of $1,200,000 in exchange for the Stony Lake property.

During the year ended October 31, 2018, the Company incurred the following share issuances:

- On March 29, 2018, the Company issued 18,750,000 units at $0.08 per unit, pursuant to a private placement, for gross proceeds of $1,500,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.12 until March 29, 2020.

  The warrants have an early acceleration provision wherein the warrants are callable upon 21 days' notice in the event the Company's shares trade at a price of $0.25 per share or greater for a 30-day trading period.

  Finders' fees of $48,048, filing fees of $7,500 and legal fees of $47,608 were paid with respect to this financing.

- On May 8, 2018, the Company issued 3,900,000 common shares at a value of $624,000 for contiguous mineral tenures at the Eaglehead property.

- On July 12, 2018 the Company issued 6,470,352 flow-through shares, pursuant to a private placement, for gross proceeds of $549,980.

  Finders' fees of $30,000, filing fees of $1,382, legal fees of $32,883 and the issuance of 352,942 finder's warrants were paid with respect to this financing.

  Each finders' warrant is exercisable into one common share at $0.085 until July 12, 2020.

  A flow through premium liability of $161,759 was recorded which will be extinguished once the entirety of the flow-through money raised had been spent on qualifying exploration expenditures. As of October 31, 2019, the remaining flow-through premium liability was $Nil (October 31, 2018 - $43,484), with the reduction of $43,484 (October 31, 2018 - $118,275) recorded as flow-through premium income in fiscal 2019 and 2018.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (Continued)

c) Warrants

A summary of changes in share purchase warrants for the years ended October 31, 2019 and 2018 are as follows:

	Year Ended October 31, 2019		Year Ended October 31, 2018	
	Number of Warrants Outstanding	**Weighted Average Exercise Price**	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, Beginning of Year	**23,352,942**	**$ 0.116**	4,250,000	$ 0.100
Expired	**(4,250,000)**	**0.100**	-	-
Issued	**9,150,000**	**0.058**	19,102,942	0.119
Balance, End of Year	**28,252,942**	**$ 0.100**	23,352,942	$ 0.116

As at October 31, 2019 share purchase warrants outstanding and exercisable are as follows:

Number of Warrants Outstanding	**Warrant Exercise Price**	**Warrants Exercisable as of October 31, 2019**	**Warrant Expiry Date**
18,750,000	0.120	18,750,000	March 29, 2020
352,942	0.085	352,942	July 12, 2020
6,200,000	0.050	6,200,000	August 8, 2020
2,950,000	0.075	2,950,000	August 8, 2020
28,252,942	**$ 0.100**	**28,252,942**	

As at October 31, 2019, the weighted average remaining contractual life of the share purchase warrants was 0.532 years (October 31, 2018 – 1.218 years) and the weighted average exercise price was $0.100 (October 31, 2018 - $0.116).

9. SHARE BASED PAYMENTS

Stock Options

The Company has a fixed stock option plan which follows the policies of the TSX:V regarding stock option awards granted to directors, officers, employees and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

(Expressed in Canadian Dollars)

9. SHARE BASED PAYMENTS (Continued)

A summary of changes in stock options for the years ended October 31, 2019 and 2018 are as follows:

	Year Ended October 31, 2019			Year Ended October 31, 2018		
	Number of Options Outstanding		**Weighted Average Exercise Price**	Number of Options Outstanding		Weighted Average Exercise Price
Balance, Beginning of Year	**2,350,000**	**$**	**0.13**	2,350,000	$	0.13
Expired	**(1,850,000)**		**0.14**	-		-
Granted	**-**		**-**	-		-
Balance, End of Year	**500,000**	**$**	**0.10**	2,350,000	$	0.13

As at October 31, 2019, options outstanding for the purchase of common shares are as follows:

Number of Options Outstanding		**Option Exercise Price**	**Options Exercisable as of October 31, 2019**	**Option Expiry Date**
325,000	$	0.10	325,000	April 29, 2020
175,000	$	0.10	175,000	October 16, 2020
500,000	**$**	**0.10**	**500,000**	

As at October 31, 2019, the weighted average remaining contractual life of the options was 0.66 years (October 31, 2018 – .94 years) and the weighted average exercise price was $0.10 (October 31, 2018 - $0.13).

On July 9, 2019, 1,850,000 options expired with a weighted average exercise price of $0.14.

Compensation costs attributable to the granting and vesting of share options are measured at fair value and expensed with a corresponding increase to share-based payment reserve. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to deficit from the share-based payment reserve.

Options Issued to Employees

The fair value measured at the grant date is determined using a Black-Scholes option pricing model that considers the exercise price, expected forfeitures, the term of the option, the share price at grant date, the expected volatility of the underlying share, the dividend yield and the risk free interest rate of the option.

(Expressed in Canadian Dollars)

9. SHARE BASED PAYMENTS (Continued)

During the years ended October 31, 2019 and 2018, the Company did not issue any options to employees.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

During the years ended October 31, 2019 and 2018, the Company did not issue any options to non-employees.

10. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling of the Company's activities, and include executive directors, as well as entities controlled by such persons.

At October 31, 2019, included in accounts payable and accrued liabilities is $26,875 (October 31, 2018 – $3,125) owing to a company controlled by a director, $14,175 (October 31, 2018 – $4,725) owing to a company controlled by an officer, $4,500 (October 31, 2018 - $19,275) owing to a director of the Company and $39,660 (October 31, 2018 - $43,053) owing to Copper Fox.

For the year ended October 31, 2019, $Nil (October 31, 2018 - $6,250) was paid and capitalized to Eaglehead for services rendered by a company which is controlled by a director.

As at October 31, 2019 and 2018, coupled with the year ended October 31, 2019 and 2018, the Company incurred the following capitalizations and expenditures for key management personnel and the companies that are directly controlled by them.

		As at October 31, 2019		As at October 31, 2018
Statement of Financial Position Item				
Exploration and evaluation assets	**$**	**-**	$	6,250
Total	**$**	**-**	$	6,250

		Year Ended October 31, 2019		Year Ended October 31, 2018
Statement of Operations Items				
Consulting fees	**$**	**204,000**	$	163,417
Director fees		**18,500**		20,000
Total	**$**	**222,500**	$	183,417

On April 12, 2018, the Company repaid a promissory note and loan payable totaling $127,010 to Copper Fox.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of the Company's effective income tax expense at statutory tax rates is as follows:

		Year Ended October 31, 2019		Year Ended October 31, 2018
Statutory tax rate		**27%**		27%
Loss before income taxes	**$**	**(11,255,215)**	$	(669,555)
Expected tax recovery	**$**	**(3,039,000)**	$	(181,000)
Change in rates and other		**31,000**		(21,000)
Permanent differences		**(39,000)**		(31,000)
Impact of flow-through shares		**109,000**		114,000
Share issuance costs		**(6,000)**		(45,000)
Adjustment to prior year provision		**(7,000)**		(116,000)
Change in deferred tax assets not recognized		**2,951,000**		280,000
Deferred Income Tax Expense (Recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's deferred income tax assets are as follows:

		October 31, 2019		October 31, 2018
Non-capital losses carried forward	**$**	**1,800,000**	$	1,669,000
Asset retirement obligation		**64,000**		64,000
Equipment		**11,000**		11,000
Allowable capital losses		**3,000**		3,000
Share issuance costs deductible in future periods		**33,000**		57,000
Deferred Income Tax Assets		**1,911,000**		1,804,000
Excess of book value over tax value:				
Resources Properties and Deferred Exploration Expenditures		**1,550,000**		(1,294,000)
Net deferred income tax assets		**3,461,000**		510,000
Deferred tax assets not recognized		**(3,461,000)**		(510,000)
Total	**$**	**-**	**$**	**-**

The Company has Canadian non-capital losses carried forward of approximately $6,667,000 (October 31, 2018 - $6,183,000) that have an expiry date range of 2026 to 2038. The potential tax benefits of these losses have not been recognized as realization is not considered more likely than not.

(Expressed in Canadian Dollars)

12. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, share options and warrants. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management.

The mineral properties in which the Company currently has an interest in are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. Additional sources of funding, which may not be available on favourable terms, if at all, include share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing assets. In order to carry out the planned exploration and development and pay for operating expenses, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended October 31, 2019. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments; all held within major Canadian financial institutions.

13. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES

The Company's financial assets, measured at fair value, are as follows:

		As at October 31, 2019		As at October 31, 2018	
	Input Level	**Carrying Amount**	**Estimated Fair value**	Carrying Amount	Estimated Fair Value
Financial Assets					
Cash	**1**	**$ 50,184**	**$ 50,184**	$ 373,434	$ 373,434
Total		**$ 50,184**	**$ 50,184**	$ 373,434	$ 373,434

Fair Value

The estimated fair values of accounts payables approximate their respective carrying values due to the immediate or relatively short period to maturity.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

13. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES (Continued)

Level 3 - Significant unobservable (no market data available) inputs which are supported by little or no market activity.

Risk Management

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are as follows:

a) *Credit Risk*

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places cash with the high credit quality financial institutions. The Company considers its exposure to credit risk to be insignificant.

b) *Liquidity Risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk and requirements by maintaining sufficient cash balances and or through additional financings to ensure that there is enough capital in order to meet short term obligations. As at October 31, 2019, the Company has cash totalling $50,184 (October 31, 2018 - $373,434) and accounts payable and accrued liabilities of $156,619 (October 31, 2018 - $158,194) which have contractual maturities of 30 days or less. The Company will require additional sources of equity, joint venture partnership or debt financing to fund ongoing operations and the exploration and development of its mineral properties.

If the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. It is not possible to predict, due to many external factors including commodity prices and equity market conditions, as to whether future financing will be successful or available at all.

c) *Market Risk*

i) *Interest Rate Risk*

The Company manages its interest rate risk by obtaining commercial deposit interest rates available in the market by the major Canadian financial institutions on its cash and short-term investments.

13. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES (Continued)

ii) *Foreign Exchange Risk*

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at October 31, 2019, the Company held no financial assets or liabilities which were denominated in currencies other than the Canadian dollar.

iii) *Commodity Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.