



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

(EXPRESSED IN CANADIAN DOLLARS)

NORTHWAY RESOURCES CORP.

For the year ended March 31, 2020

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Northway Resources Corp.

Opinion

We have audited the accompanying consolidated financial statements of Northway Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended March 31, 2020 and the period from inception on May 29, 2018 to March 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the year ended March 31, 2020 and the period from inception on May 29, 2018 to March 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

July 29, 2020

NORTHWAY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	March 31, 2020	March 31, 2019
	\$	\$
ASSETS		
Current		
Cash	1,449,124	327,993
Receivables	25,176	5,048
Prepaid expenses	14,573	-
	<u>1,488,873</u>	<u>333,041</u>
Exploration and evaluation assets (Notes 3 and 6)	<u>1,068,859</u>	<u>330,040</u>
TOTAL ASSETS	<u>2,557,732</u>	<u>663,081</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 4 and 6)	76,286	78,165
Due to related parties (Note 6)	-	10,000
	<u>76,286</u>	<u>88,165</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	2,678,566	604,001
Reserves (Note 5)	386,513	196,000
Deficit	(583,633)	(225,085)
	<u>2,481,446</u>	<u>574,916</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,557,732</u>	<u>663,081</u>

Nature of Operations (Note 1)
Subsequent Events (Note 11)

Approved and authorized by the Board on July 29, 2020

On behalf of the Board of Directors:

“Jay Sujir”

Director

“Jessica Van Den Akker”

Director

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

NORTHWAY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the year ended March 31, 2020	For the period from inception on May 29, 2018 to March 31, 2019
	\$	\$
Expenses		
Advertising and marketing	17,601	-
Consulting fees	16,486	-
Foreign exchange loss (gain)	(14,738)	103
Insurance expense	15,492	-
Management fees (Note 6)	69,333	-
Office and general	12,270	469
Professional fees (Note 6)	110,842	28,513
Property investigation costs	2,000	-
Rent (Note 6)	7,600	-
Share-based compensation (Notes 5 and 6)	108,728	196,000
Transfer and filing fees	13,831	-
Travel and related	10,167	-
	(369,612)	(225,085)
Interest income	330	-
Loss and comprehensive loss for the period	(369,282)	(225,085)
Basic and diluted loss per share	(0.01)	(0.04)
Weighted average number of common shares outstanding	31,312,477	5,840,491

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

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

	Number of Shares Issued	Share Capital \$	Reserves \$	Accumulated Deficit \$	Total Shareholders' Equity \$
Balance at May 29, 2018	-	-	-	-	-
Issuance of incorporation shares	101	1	-	-	1
Repurchase and cancellation of incorporation share	(1)	-	-	-	-
Share-based compensation	-	-	196,000	-	196,000
Share issued in private placement	11,000,000	354,000	-	-	354,000
Share issued for debts settlement	5,000,000	250,000	-	-	250,000
Loss for the period	-	-	-	(225,085)	(225,085)
Balance at March 31, 2019	16,000,100	604,001	196,000	(225,085)	574,916
Shares issued for cash	25,386,000	2,538,600	-	-	2,538,600
Share issuance costs	-	(464,034)	92,519	-	(371,515)
Stock options granted	-	-	108,728	-	108,728
Stock options expired	-	-	(10,734)	10,734	-
Repurchase and cancellation of incorporation shares	(100)	(1)	-	-	(1)
Loss for the year	-	-	-	(369,282)	(369,282)
Balance at March 31, 2020	41,386,000	2,678,566	386,513	(583,633)	2,481,446

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

NORTHWAY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended March 31, 2020	For the period from inception on May 29, 2018 to March 31, 2019
	\$	\$
Cash flows used in operating activities		
Loss for the period	(369,282)	(225,085)
Item not involving cash		
Share-based compensation	108,728	196,000
Changes in non-cash working capital items		
Receivables	(20,128)	(5,048)
Prepaid expenses	(14,573)	-
Accounts payable and accrued liabilities	18,581	28,492
	<u>(276,674)</u>	<u>(5,641)</u>
Cash flows used in investing activities		
Exploration and evaluation assets expenditures	<u>(780,829)</u>	<u>(180,367)</u>
Cash flows from financing activities		
Proceeds for shares repurchased	(1)	-
Proceeds for shares issued	2,538,600	354,001
Share issuance costs	(349,965)	-
Advances from related parties	-	185,000
Repayment to related parties	(10,000)	(25,000)
	<u>2,178,634</u>	<u>514,001</u>
Net change in cash	1,121,131	327,993
Cash, beginning of period	<u>327,993</u>	<u>-</u>
Cash, end of period	1,449,124	327,993
Non-cash transactions		
Exploration and evaluation assets in accounts payable and accrued liabilities	7,663	49,673
Shares issued for debt settlement on advances from related parties	-	150,000
Shares issued for settlement of accounts payable relating to exploration and evaluation assets	-	100,000
Warrants issued for share issuance costs	92,519	-
Share issuance costs in accounts payable and accrued liabilities	21,550	-

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

NORTHWAY RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Canadian Dollars)

NOTE 1 - NATURE OF OPERATIONS

Nature of operations

Northway Resources Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on May 29, 2018. The Company is principally engaged in the acquisition and exploration of mineral properties. On August 22, 2019, the Company completed its Initial Public Offering (“IPO”) and is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “NTW.V”.

The head office of the Company is located at 310 – 119 West Pender Street, Vancouver B.C., V6B 1S5 and the registered and records office of the Company is located at 2080 – 777 Hornby Street, Vancouver B.C., V6Z 1S4.

The Company has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has not generated revenues from its operations to date. As at March 31, 2020, the Company has accumulated net losses of \$583,633 since inception and has working capital of \$1,412,587. The operations of the Company have primarily been funded by the issuance of common shares. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management estimates its current working capital will be sufficient to fund its current level of activities for the next twelve months.

If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments may be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

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

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on July 29, 2020.

NORTHWAY RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Statement of compliance (continued)

The accounting policies applied in preparation of these consolidated financial statements are consistent with those applied and disclosed in the Company's financial statements for the period ended March 31, 2019 except for the following:

Leases

On April 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”) which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company analyzed its contracts to identify whether they contain a lease agreement for the application of IFRS 16. No such contracts were identified, and as a result, the adoption of IFRS 16 resulted in no impact to the opening retained earnings on April 1, 2019.

Basis of presentation

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 1223437 B.C. Ltd., Northway Resources Alaska Corporation, 1223615 B.C. Ltd., and Northway Napoleon Corporation. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

Significant areas requiring the use of management estimates and judgments include:

- (i) The determination of the fair value of the shares of the Company for the calculation of the share-based compensation.
- (ii) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to identify new business opportunities and working capital requirements, the outcome of which is uncertain.

NORTHWAY RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

- (iii) The determination that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment, then transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. The Company has no known restoration, rehabilitation or environmental costs related to its mineral properties.

NORTHWAY RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Share-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Impairment of tangible and intangible assets

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

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

Income taxes

Income taxes are calculated whereby temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount in the consolidated financial statements are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Contingently returnable shares are not considered outstanding common shares and consequently are not included in earnings (loss) per share calculations.

NORTHWAY RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital. The values of expired options and warrants are transferred to deficit or share capital, respectively.

Financial instruments

Financial assets

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 classified as 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/loss.

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. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

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 designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and due to related parties are classified at amortized cost.

As at March 31, 2020 and 2019, the Company does not have any derivative financial liabilities.

NORTHWAY RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned value based on the residual value method and included in the share warrant reserve. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share issuance costs. When warrants are cancelled or are not exercised at the expiry date, the amount previously recognized is transferred to share capital.

NOTE 3 - EXPLORATION AND EVALUATION ASSETS

	Healy	Napoleon	Total
	\$	\$	\$
Balance, May 29, 2018	-	-	-
Property acquisition and staking costs	-	41,085	41,085
<i>Exploration expenditures:</i>			
Accommodation and related	16,129	-	16,129
Assays	52,433	-	52,433
Claim maintenance fees	76,021	-	76,021
Consulting	18,946	-	18,946
Data analysis	10,500	-	10,500
Geological	108,400	-	108,400
Supplies and fuel	6,526	-	6,526
Balance, March 31, 2019	288,955	41,085	330,040
Property acquisition and staking costs	7,707	-	7,707
<i>Exploration expenditures:</i>			
Accommodation and related	38,730	735	39,465
Analytical	49,891	1,345	51,236
Claim maintenance fees	86,525	9,976	96,501
Consulting	106,514	8,065	114,579
Drilling	236,666	-	236,666
Geophysics	10,495	-	10,495
Helicopter	156,327	-	156,327
Legal and permitting	4,366	-	4,366
Travel and related	21,477	-	21,477
Balance, March 31, 2020	1,007,653	61,206	1,068,859

NORTHWAY RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
(Expressed in Canadian Dollars)

NOTE 3 - EXPLORATION AND EVALUATION ASSETS (continued)

Healy property

On July 31, 2018, the Company entered into an agreement (later amended in May 2019) with Newmont North America Exploration Limited (“Newmont”) to acquire, by way of contribution (the “Contribution”), up to 70% of a property located in Fairbanks Recording District, Alaska (the “Healy Property”).

The Company is entitled to acquire a 70% interest in the Healy Property upon incurring aggregate expenditures of US\$4,000,000 on the property during the phase 1 period of the Contribution.

The following is a summary of the Contribution earn-in requirements:

Period (“Phase 1 Period”)	Exploration Requirement US\$	Aggregate Exploration Requirement US\$
On or before November 30, 2018	(incurred) 140,000	140,000
On or before December 31, 2020	(incurred) 360,000	500,000
On or before December 31, 2021	1,500,000	2,000,000
On or before December 31, 2022	2,000,000	4,000,000

Pursuant to the agreement, the Company is required to fund US\$140,000 by November 30, 2018 (incurred) and US\$360,000 (incurred) by December 31, 2020, totaling US\$500,000 (“Mandatory Phase 1 Expenditures”). The Company may terminate the Contribution at any time, in its discretion, subject to satisfying any accrued obligations or liabilities including Mandatory Phase 1 Expenditures, as required.

Upon completing the Phase 1 earn-in requirement on the Healy Property, the value of the Company’s initial contribution shall be deemed to be US\$4,000,000 (70% interest) and the value of Newmont’s initial contribution shall be deemed to be US\$1,715,000 (30% interest). From and after the date on which the Company completes the Phase 1 earn-in requirement on the Healy Property, the Company and Newmont shall fund an adopted program on a pro-rata basis in accordance with their respective participating interests.

Napoleon property

The property is located in Fortymile District, Alaska and was acquired by staking with a payment of \$41,085.

In February 2020, the Company acquired a proprietary exploration database from Millrock Exploration Corp. and its affiliate (collectively “Millrock”) relating to the Napoleon Project. As consideration, the Company granted to Millrock a 0.5% net smelter returns royalty on the Napoleon property and areas of interest, one-half of which may be acquired by the Company, at any time, for a one-time payment of US\$500,000 and is required to make annual advance royalty payments of US\$1,000.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	March 31, 2019
	\$	\$
Accounts payable	18,525	52,640
Accrued liabilities	57,761	25,525
	76,286	78,165

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NOTE 5 - SHARE CAPITAL AND RESERVES

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued share capital

In May 2018, the Company issued 101 common shares at a price of \$0.01 per share for gross proceed of \$1 of which 1 share was then repurchased and cancelled. In April 2019, the remaining 100 common shares were repurchased and cancelled by the Company.

In July 2018, the Company issued 4,000,000 common shares at a value of \$0.05 per share. The Company received gross proceed of \$4,000 and recorded \$196,000 as share-based compensation expense for the share issuance.

In September 2018, the Company issued 3,000,000 units at a value of \$150,000 to settle \$150,000 of debt. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 per share for five years.

In January 2019, the Company issued 2,000,000 units at a value of \$100,000 to settle \$100,000 of accounts payable. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 per share for five years.

In March 2019, the Company completed a non-brokered private placement of 7,000,000 units at a price of \$0.05 per unit for gross proceeds of \$350,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 per share for five years.

In August 2019, the Company completed its IPO of 18,486,000 common shares at a price of \$0.10 per common share for gross proceeds of \$1,848,600 and incurred commission and other expenses totaling \$325,315. The Company issued 1,294,020 finders' warrants to its agent exercisable at a price of \$0.10 per share for a period of 24 months, valued at \$68,178, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk free interest rate of 1.33%, volatility of 100% and nil forecasted dividend yield.

In August 2019, the Company completed a private placement of 6,900,000 shares at a price of \$0.10 per share for gross proceeds of \$690,000 and incurred commission of \$46,200. The Company issued 462,000 finders' warrants to its agent exercisable at a price of \$0.10 per share for a period of 24 months, valued at \$24,341, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk free interest rate of 1.33%, volatility of 100% and nil forecasted dividend yield.

As at March 31, 2020, the Company has 12,000,000 shares subject to escrow pursuant to the requirements of the TSX-V, which will be released through August 2022.

Share purchase warrants

In connection with the debt settlements in September 2018 and January 2019, and the March 2019 private placement, the Company issued 12,000,000 warrants with an exercise price of \$0.10 per warrant.

In connection with the IPO and private placement in August 2019, the Company issued 1,756,020 warrants with an exercise price of \$0.10 per warrant.

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NOTE 5 - SHARE CAPITAL AND RESERVES (continued)

Share purchase warrants (continued)

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, May 29, 2018	-	-
Issued	12,000,000	0.10
Balance, March 31, 2019	12,000,000	0.10
Issued	1,756,020	0.10
Balance, March 31, 2020	13,756,020	0.10

A summary of the warrants outstanding and exercisable at March 31, 2020 is as follows:

Number of Warrants	Exercise Price	Expiry Date
	\$	
1,294,020	0.10	August 22, 2021
462,000	0.10	August 28, 2021
3,000,000	0.10	September 15, 2023
2,000,000	0.10	January 25, 2024
7,000,000	0.10	March 19, 2024
13,756,020		

Stock options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant. Options may be granted for a maximum term of ten years from the date of the grant, and generally expire within 90 days of termination of employment, consulting arrangement or holding office as a director or officer of the Company, are subject to provisions as determined by the Board of Directors (the "Board") and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

In August 2019, the Company granted 2,000,000 stock options to its directors, officers and consultants with an exercise price of \$0.10 for a period of five years vest 25% immediately, and 25% every six months thereafter, with a fair value of \$148,819, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.17%, volatility of 100% and nil forecasted dividend yield. During the year ended March 31, 2020, the Company expensed a total of \$108,728 (2019 - \$nil) as share-based compensation for values of stock options vested. In addition, 250,000 stock options expired unexercised, as a result, \$10,734 was reclassified from reserves to deficit.

NORTHWAY RESOURCES CORP.
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NOTE 5 - SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

Stock options transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance, May 28, 2018 and March 31, 2019	-	-
Granted	2,000,000	0.10
Expired	(250,000)	0.10
Balance, March 31, 2020	1,750,000	0.10

A summary of the stock options outstanding and exercisable at March 31, 2020 is as follows:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
		\$	
1,750,000	875,000	0.10	August 22, 2024

NOTE 6 - RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended March 31, 2020, the Company entered into the following transaction with related parties, not disclosed elsewhere in these consolidated financial statements:

- Incurred exploration expenditures of \$427,047 (2019 - \$100,952) and rent of \$7,600 (2019 - \$nil) and recorded share-based compensation of \$nil (2019 - \$196,000) to a company related by a common director and officer. The exploration expenditure amount also includes a 10% fee on the exploration costs incurred on behalf of the Company.
- As at March 31, 2020, \$nil (2019 - \$45,066) was included in accounts payable and accrued liabilities owing to an officer and director and companies controlled by an officer and related by a common officer and director in relation to management fees and reimbursement of expenses.
- As at March 31, 2020, \$1,365 (2019 - \$nil) was included in prepaid expenses paid to a company controlled by an officer and director in relation to rent.
- During the period ended March 31, 2019, the Company received non-interest bearing advances totaling \$175,000 from a director and a former director. These debts were then settled by the issuance of 3,000,000 units at a value of \$150,000 and cash repayment of \$25,000.
- During the period ended March 31, 2019, the Company issued 2,000,000 units at a value of \$100,000 to settle \$100,000 of accounts payable to a company related by a common director of the Company.
- As at March 31, 2019, the Company owed \$10,000 to two directors of the Company for overpayment of share subscriptions. The balance were repaid during the year ended March 31, 2020.

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NOTE 6 - RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Summary of key management personnel compensation:

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

	For the year ended March 31, 2020	For the period from inception on May 29, 2018 to March 31, 2019
	\$	\$
Management fees	69,333	-
Professional fees	262	-
Share-based compensation	81,195	-
	150,790	-

NOTE 7 - FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

- a) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is held in major Canadian financial institutions and its receivables are due from the Government of Canada. As such, the Company determined that it is not exposed to significant credit risk.
- b) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at March 31, 2020, the Company has sufficient cash to settle its current liabilities. The Company will require additional funding to meet its long-term exploration obligations.
- c) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

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NOTE 7 - FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

- d) **Currency risk**
The Company conducts exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates of the Canadian and US dollars. As at March 31, 2020, the Company had a monetary net asset of US\$521,629. A 10% fluctuation in the exchange rate of the United States dollar against the Canadian dollar would affect the Company's cash and account payable by approximately \$52,200.
- e) **Commodity price risk**
The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of gold and other precious metals. The Company monitors gold and precious metals prices to determine the appropriate course of action to be taken.

NOTE 8 - SEGMENTED DISCLOSURE

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. All non-current assets of the Company are located in the USA.

NOTE 9 - CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended March 31, 2020. The Company is not subject to any externally imposed capital requirements.

NOTE 10 - INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying statements of comprehensive loss is provided below:

	For the year ended March 31, 2020	For the period from inception on May 29, 2018 to March 31, 2019
	\$	\$
Loss before income taxes	(369,282)	(225,085)
Expected income tax recovery at statutory tax rates	(100,000)	(60,800)
Permanent difference	30,000	52,900
Share issuance costs	(100,000)	-
Change in unrecognized deductible temporary differences	170,000	7,900
Total	-	-

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NOTE 10 - INCOME TAXES (continued)

Significant components of deferred tax assets that have not been recognized are as follows:

	As at March 31, 2020	As at March 31, 2019
	\$	\$
Share issuance costs	80,000	-
Non-capital losses	98,000	7,900
Total	178,000	7,900

Significant components of unrecognized deductible temporary differences and unused tax losses that have not been recognized on the statements of financial position are as follows:

	As at March 31, 2020	Expiry Date	As at March 31, 2019	Expiry Date
	\$		\$	
Share issuance costs	297,000	2041 - 2044	-	-
Non-capital losses	363,000	2039 - 2040	29,000	2039

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

NOTE 11 – SUBSEQUENT EVENTS

- a) In July 2020, the Company acquired a proprietary exploration database from a vendor relating to the Napoleon Project. As consideration, the Company granted to the vendor a 1.0% net smelter returns royalty on the Napoleon property and areas of interest, one-half of which may be acquired by the Company, at any time, for a one-time payment of US\$1,000,000.
- b) In July 2020, the Company entered into a non-binding letter of intent with Kenorland Minerals Ltd. (“Kenorland”), whereby the Company will acquire all of the issued and outstanding securities of Kenorland by way of share exchange. The transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the transaction on or before August 31, 2020, the completion of satisfactory due diligence, the completion of a private placement of \$10 million by the Company, the completion of a share consolidation, the approval of the TSX-V and other applicable regulatory authorities.