



**OREFINDERS RESOURCES INC.
Annual Consolidated Financial Statements**

For the Years Ended October 31, 2020 and 2019

(Expressed in Canadian Dollars unless otherwise indicated)

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Orefinders Resources Inc.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit 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. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises 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 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 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 judgement 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 risks 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.

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 of the audit resulting in this independent auditor's report Jessica Glendinning.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 1, 2021

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
As at October 31,

	Notes	2020	2019
ASSETS			
Current			
Cash		\$ 6,352,599	\$ 332,687
Restricted cash	5	570,967	570,967
Marketable securities	6	632,470	-
GST-HST receivable		78,119	80,350
Due from related party	12	7,420	-
Due from associate	6,12	10,000	10,581
Prepaid expenses		24,058	27,985
Total current assets		7,675,633	1,022,570
Investments in associates	6	1,937,080	904,704
Property, plant and equipment	7	55,232	45,820
TOTAL ASSETS		\$ 9,667,945	\$ 1,973,094
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9,12	\$ 470,336	\$ 430,492
Due to associate	6,12	1,251	-
Asset retirement obligation	11	570,967	570,967
Flow-through share liability	10	747,400	7,547
Total current liabilities		1,789,954	1,009,006
SHAREHOLDERS' EQUITY			
Share capital	13	23,762,063	17,745,310
Share-based payment reserve	13	4,623,219	3,586,133
Deficit		(20,507,291)	(20,367,355)
TOTAL EQUITY		7,877,991	964,088
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 9,667,945	\$ 1,973,094

Going concern (Note 2)

Commitments and contingencies (Notes 6, 8, 10, 15, 17 and 18)

Events subsequent to year end (Note 19)

Approved on behalf of the Directors:

"Stephen Stewart"

Stephen Stewart – Director

"Alex Stewart"

Alex Stewart – Director

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

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
Years ended October 31,

	Notes	2020	2019
EXPENSES			
Consulting and management fees	12	\$ 231,535	\$ 295,200
Exploration expenses	8,12,19	523,738	117,575
Share-based payments	13	252,236	221,000
Amortization of property, plant and equipment	7	9,614	8,137
Office, rent and general	12	36,756	60,113
Professional fees		128,911	130,740
Transfer agent, filing fees and shareholder Communications		139,634	70,732
Travel and related costs		7,795	33,703
Unrealized gain on marketable securities	6	(626,236)	-
Dilution gain from investment in associates	6	(1,249,302)	(134,976)
Equity loss from investments in associates	6	692,802	282,810
TOTAL EXPENSES		147,483	\$ 1,085,034
Deferred income tax recovery			
Flow-through share premium renunciation	10,15	7,547	12,120
NET LOSS FOR THE YEAR		\$ (139,936)	\$ (1,072,914)
(Loss) per Common Share - Basic and Diluted		\$ (0.00)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding Basic and Diluted		158,831,931	109,753,559

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

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Share capital		Share-based Payment Reserve	Deficit	Total
	Number of shares	Amount			
Balance at October 31, 2018	99,943,659	\$ 16,564,987	\$ 3,283,133	\$ (19,294,441)	\$ 553,679
Loss for the year	-	-	-	(1,072,914)	(1,072,914)
Shares issued on private placement	8,740,000	437,000	-	-	437,000
Shares issued on acquisition of investments	15,000,000	737,000	-	-	737,000
Value of warrants	-	(63,000)	63,000	-	-
Shares issued on flow-through private placement	1,966,667	118,000	-	-	118,000
Value of warrants	-	(12,000)	12,000	-	-
Broker warrants issued	-	-	7,000	-	7,000
Share issuance costs	-	(17,010)	-	-	(17,010)
Shares-based payments	-	-	221,000	-	221,000
Premium allocated to flow-through shares	-	(19,667)	-	-	(19,667)
Balance at October 31, 2019	125,650,326	\$ 17,745,310	\$ 3,586,133	\$ (20,367,355)	\$ 964,088
Loss for the year	-	-	-	(139,936)	(139,936)
Warrants exercised	7,381,992	655,893	(229,470)	-	426,423
Stock options exercised	100,000	6,923	(1,923)	-	5,000
Shares issued on hard-dollar private placement	52,800,000	3,790,000	-	-	3,790,000
Value of warrants	-	(503,000)	503,000	-	-
Shares issued on flow-through private placement	33,842,856	3,819,000	-	-	3,819,000
Value of warrants	-	(392,300)	392,300	-	-
Broker units issued	1,028,571	45,428	6,000	-	51,428
Broker compensation options issued	-	-	114,700	-	114,700
Broker warrants issued	-	-	243	-	243
Share issuance costs	-	(657,791)	-	-	(657,791)
Share-based payments	-	-	252,236	-	252,236
Premium allocated to flow-through shares	-	(747,400)	-	-	(747,400)
Balance at October 31, 2020	220,803,745	\$ 23,762,063	\$ 4,623,219	\$ (20,507,291)	\$ 7,877,991

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

OREFINDERS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
For the years ended October 31,

	2020	2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
(Loss) for the year	\$ (139,936)	\$ (1,072,914)
Items not involving cash		
Amortization of property, plant and equipment	9,614	8,137
Flow-through share premium renunciation	(7,547)	(12,120)
Unrealized gain on marketable securities	(626,236)	-
Dilution gain from investments in associates	(1,249,302)	(134,976)
Equity loss from investments in associates	692,802	282,810
Share-based payments	252,236	221,000
Changes in non-cash working capital items:		
GST-HST receivable	2,231	(60,027)
Prepaid expenses	3,927	(12,685)
Accounts payable and accrued liabilities	39,844	382,423
Net cash (used in) operating activities	(1,022,367)	(398,352)
INVESTING ACTIVITIES		
Investment in common shares in associate	(500,000)	-
Purchase of capital assets	(19,026)	-
Advances to related parties	(7,420)	-
Advances to associates	581	(306,211)
Repayment of advances to associate	17,890	-
Net cash (used in) investing activities	(507,975)	(306,211)
FINANCING ACTIVITIES		
Proceeds on issue of common shares	7,609,000	555,000
Share issue costs	(491,420)	(10,010)
Proceeds on exercise of warrants	426,423	-
Proceeds on exercise of stock options	5,000	-
Advances from associates	1,251	-
Net cash provided by financing activities	7,550,254	544,990
NET INCREASE (DECREASE) IN CASH	6,019,912	(159,573)
CASH, BEGINNING OF YEAR	332,687	492,260
CASH, END OF YEAR	\$ 6,352,599	\$ 332,687

Supplemental cash flow information (Note 17)

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

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Orefinders Resources Inc. (“Orefinders” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on July 26, 2011 and its principal activity is the exploration, development and production of exploration and evaluation assets in Canada. On December 17, 2012, the Company completed an Initial Public Offering (“Offering”) and its shares were listed for trading on the TSX Venture Exchange (“TSX-V”).

The head and principal office of the Company is located at 55 University Avenue, Suite 1805 Toronto, Ontario M5J 2H7.

2. GOING CONCERN

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, social licensing requirements, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company’s operations may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company has raised funds during the year ended October 31, 2020 and has utilized these funds for its exploration programs and working capital requirements. The ability of Orefinders to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that Orefinders will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Orefinders may change and existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

Management is also closely evaluating the impact of COVID-19 on the Company’s business. In order for the Company to continue as a going concern and fund its operations, the Company will require additional financing. The availability of financing will be affected by, among other things, the state of the capital markets considering the impact of COVID-19 and strategic partnership arrangements.

As at October 31, 2020, the Company had working capital of \$5,885,679 (2019 - \$13,564) and an accumulated deficit of \$20,507,291 (2019 - \$20,367,355). Orefinders has no proven history of performance, earnings or success. Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve-month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes 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. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these consolidated financial statements. Such adjustments could be material.

The consolidated financial statements were authorized for issue on March 1, 2021 by the directors of the Company.

Statement of compliance

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on IFRS issued and effective October 31, 2020.

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, except for certain financial instruments which are measured at fair value, as explained in the accounting policies.

Functional and presentation currency

The functional currency of the Company is determined using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the Company’s functional and presentation currency. The Company does not have any significant expenditures in foreign currencies.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

Basis of consolidation

The consolidated financial statements include the financial statements of Orefinders Resources Inc. and its wholly owned subsidiary, McGarry-Larder Mines Inc. which was incorporated on July 8, 2018. Control is achieved when the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated through the consolidation process. The accounts of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

Investment in associates

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights, but can also arise where the Company holds less than 20 percent of the voting rights, but it has power to be actively involved and influential in policy decisions affecting the entity. The Company accounts for its investment in associates using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s shares of profit or loss of the associate.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Dilution gains and losses arising from changes in interests in investments in associates where significant influence is retained are recognized in the consolidated statements of loss and comprehensive loss. At each reporting date, the Company determines whether there is any objective evidence that the investment in the associate is impaired or if previously recorded impairment should be reversed. If impairment is determined to exist, the amount of the impairment is recognized in the consolidated statement of loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in the associate and its carrying value.

Significant accounting judgements, estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based payments, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

(a) Estimation of decommissioning and restoration costs and timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. The cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. See Note 8.

(b) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(c) Share-based payments and warrants

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

(d) Investment in associate

Investments in associates are accounted for using the equity method, whereby the investment is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the investment. The Company's share of the results of operations of an associate is reflection in the profit and loss. An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. The management reviews the relevant factors and made considerations in determining whether significant influence exists in associates. Significant judgment is involved in the determination of significant influence. In particular, the Company has assessed that in 2019, it exerted significant influence over QC Copper and Gold Inc. ("QC Copper") despite owning less than 20% of the outstanding shares of QC Copper. In 2020, the Company has assessed that in 2020, it exerted significant influence over Mistango River Resources Inc. ("Mistango") despite owning less than 20% of the outstanding shares of Mistango (Note 6).

(e) Impairment of investment in associate and due from associate

Impairment exists when the carrying value of the investment in associate and due from associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

(f) Contingencies – Refer to Note 18

Exploration and evaluation expenditures

Mineral property acquisition costs are expensed as incurred. Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All exploration expenditures are expensed as incurred.

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures incurred subsequent to this date related to development and construction are capitalized as construction-in-process and classified as a component of property, plant and equipment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Mining properties and process facility assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of mine.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Share-based payments

The Company has adopted an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are 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. Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments issued at the grant date. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates market and 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.

The share-based payment reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in share-based payment reserve.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the year, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options and warrants were anti-dilutive for the years ended October 31, 2020 and 2019.

Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets classified as FVPL are measured at fair value with unrealized gains and losses recognized through profit or loss. During the year ended October 31, 2019, the Company classified its shares in Mistango (up to October 22, 2019 as described in Note 6) as FVPL. Subsequent to October 22, 2019, the Company accounted for Mistango using the equity method of accounting. Effective December 23, 2019, the Company commenced classifying its investment in QC Copper as FVPL (Note 6).

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – Financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the consolidated statements of loss.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Subsequent measurement - Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statement of loss. The Company classified its marketable securities as financial assets at FVPL.

Subsequent measurement - Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial asset subject to are the amounts due from related party and associate, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable has been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and due to associate, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement - financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

Financial instruments fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated amortization and accumulated impairment losses.

Amortization is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, using the declining balance method over their expected useful lives, at the following annual rates.

Class	Amortization rate
Computer Equipment	30%
Automotive Equipment	30%
Furniture and Fixtures	20%
Building	10%
Machinery and Equipment	20%

Asset retirement obligations (“ARO”)

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss.

Income tax

Income tax expense is comprised of both current and deferred income taxes. Income tax expense is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through share issuances

The Company finances a portion of its exploration activities through the issue of flow-through shares issued pursuant to the Canadian Income Tax Act ("Tax Act"). Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian exploration and development expenses as defined in the Tax Act.

Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying expenditures to flow-through investors. On issuance, the Company allocates a portion of the subscription proceeds as a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a flow-through share liability. As expenditures are incurred and applied against the Company's associated flow-through commitment, the flow-through share liability is reduced proportionately, charged as a deferred income tax recovery in operations.

4. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The adoption of the following new standard was included in the consolidated financial statements for the year beginning November 1, 2019.

IFRS 16 - In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 was effective for annual periods beginning on or after January 1, 2019. The adoption of this IFRS had no material effect on the consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after November 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. Management is currently evaluating the impact of these pronouncements on the Company's consolidated financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

4. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (cont'd)

assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

5. RESTRICTED CASH

At October 31, 2020, restricted cash totaled \$570,967 (2019 - \$570,967). This is comprised of funds placed by the Company with the Ontario government in the amount of \$88,806 (2019 - \$88,806) to be applied toward reclamation of the Mirado stockpile area (Notes 8 and 11) and \$482,161 (2019 - \$482,161) in funds placed by the Company with the Ontario government related to the McGarry Project (Notes 8 and 11).

6. INVESTMENT IN ASSOCIATES

At October 31, 2020, the Company held investments in associates with a total carrying value of \$1,937,080 (2019 - \$904,704).

The continuity of the carrying values for each of QC Copper, American Eagle Gold Corp. (“American Eagle”), and Mistango are set out below:

(a) QC Copper and Gold Inc. (formerly PowerOre Inc.)

At October 31, 2019, the Company held 5,059,752 shares (or an approximate 13% interest) in QC Copper and accounted for this investment using the equity method, as three directors of the Company sat on the Board of QC Copper.

As at October 31, 2020, the Company held 5,059,752 shares and its ownership was diluted to 7.2%. Accordingly, the Company was no longer considered to have significant influence. The investment was re-characterized as an investment at FVPL, measured at a fair value of \$632,470 as at October 31, 2020. An unrealized gain of \$626,236 was recognized in the consolidated statement of loss for the year ended October 31, 2020.

The continuity of the carrying value for the investment in QC Copper under the equity method is set out below:

	2020	2019
Balance – beginning of year	\$ 6,235	\$ 30,068
Less: Loss of significant influence of QC Copper	(6,235)	-
Less: Equity loss from QC Copper	-	(158,809)
Add: Dilution gain in QC Copper	-	134,976
Balance – end of year	\$ -	\$ 6,235

Summarized financial statements for QC Copper and Gold Inc. as at and for the year ended October 31, 2019 is as follows:

Current assets	\$ 443,423
Non-current assets	-
Total assets	443,423
Total liabilities	100,228
Total net loss and comprehensive loss	(1,149,768)

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

6. INVESTMENT IN ASSOCIATES (cont'd)

Based on the quoted market price at October 31, 2019, the fair value of the Company's interest in PowerOre was \$252,988 at October 31, 2019.

(b) American Eagle Gold Corp. (formerly Pacific Precious Inc.)

On May 31, 2019, the Company completed the acquisition of 40% of the outstanding shares of American Eagle under a share exchange agreement (the "Exchange"). American Eagle was a privately-owned Canadian company which owned a 100% interest in the Kuta Ridge Gold Project located in Papua New Guinea. A director of the Company held approximately 44% of the common shares of Pacific Precious before the Exchange and approximately 26% after the Exchange. As consideration, the Company issued 10,000,000 common shares at a value of \$0.05 giving a valuation of \$500,000. The investment was measured at \$0.05 being the price of the most recent private placement in American Eagle.

In July 2020, the Kuta Ridge Gold Project was sold for consideration of a 3% NSR on the project. Furthermore, in July 2020, American Eagle entered into a twelve-month exclusive agreement that provides the option to enter a mining lease and also an option to purchase 111 unpatented mining claims on the Golden Trend Property in Eureka County, Nevada.

Also, in July 2020, American Eagle entered into a share exchange agreement and issued 6,349,398 common shares in exchange for 5,000,000 common shares of the Company. The value of the shares issued and received was estimated to be \$600,000 based on the quoted market price of the Company's shares issued at the transaction date.

At October 31, 2020, the Company held approximately 26% (2019 – 32.26%) of the outstanding common shares of American Eagle.

Summarized financial statements for American Eagle as at October 31, 2020 and 2019 and for the year ended October 31, 2020 and period from May 31, 2019 to October 31, 2019 are as follows:

	2020	2019
Current assets	\$ 162,371	\$ 267,088
Non-current assets – investment in Orefinders	650,000	-
Total assets	812,371	267,088
Total liabilities	33,743	299,389
Total net loss and comprehensive loss	(1,495,030)	(19,895)

The continuity of the carrying value for the investment in American Eagle is set out below:

	2020	2019
Balance – beginning of year	\$ 440,300	\$ -
Initial investment in American Eagle	-	500,000
Less: Equity loss from American Eagle	(440,300)	(59,700)
Balance – end of year	\$ -	\$ 440,300

Orefinders' equity share of the loss for the year ended October 31, 2020, was \$480,311 which exceeded the \$440,300 opening carrying value by \$40,011. Accordingly, the Company recognized no further losses beyond \$440,300. If the carrying value of the investment in American Eagle becomes positive, the Company will resume recognizing its share of those losses.

Based on the most recent private placement in American Eagle on September 16, 2020, the fair value of the Company's interest in American Eagle as at October 31, 2020, was estimated to be \$1,000,000 (2019 - \$500,000).

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

6. INVESTMENT IN ASSOCIATES (cont'd)**(c) Mistango River Resources Inc.**

On May 3, 2019, the Company issued 5,000,000 common shares to acquire 11,850,000 common shares of Mistango (a publicly-traded company) from Osisko Gold Royalties Ltd. (“Osisko”). The common shares of Mistango were valued at \$237,000 or \$0.02 per share based on the quoted market price of the Mistango shares on that day. If the Company acquires more than 50% of the shares of Mistango, it will grant Osisko a 1% NSR on the Mistango properties. In addition, if the Company sells any of the Mistango shares prior to November 3, 2020, additional compensation is payable to Osisko.

As at May 3, 2019, the Company’s common share position represented approximately 31% of the common shares of Mistango. Ordinarily, a 31% interest would indicate significant influence and the use of the equity method of accounting for the investment. However, there are factors which indicate that significant influence did not exist at that time:

- (i) No representation was given to the Company on the Mistango board of directors.
- (ii) Orefinders was not involved in any policy-making processes. Furthermore, in June 2019, Mistango issued 15,909,090 common shares under a private placement to a third party. This event diluted the Company’s interest to approximately 22%. The Company had no input into this private-placement decision.
- (iii) There were no material transactions, interchange of managerial personnel or exchange of essential technical information between the Company and Mistango.

On October 22, 2019, the Company was successful in electing its own slate of directors to the board of Mistango replacing the old board of directors. As a result, this investment was treated as a portfolio investment through to October 22, 2019 and the Company recorded a gain from a change in fair market value through profit and loss of \$Nil from the acquisition date to October 31, 2019. Effective October 22, 2019, the Company’s investment in Mistango was accounted for using the equity method. The equity pickup for the period from October 22, 2019 to October 31, 2019 was insignificant due to the close proximity to the October 31, 2019 year end date. In connection with enforcing these rights as a significant shareholder of Mistango, the Company incurred costs of \$292,925 in legal and other costs. These costs have been charged back to Mistango as at October 31, 2019 and \$285,469 have been included in the carrying value of the investment below. Payment of the difference of \$7,456 was received by the Company during 2020. At October 31, 2020, the Company’s ownership in Mistango was 24,708,975 shares or approximately 19% (2019 – 11,850,000 shares or approximately 31%).

During 2020, the Company subscribed for 12,858,975 shares of Mistango for \$655,000.

Summarized financial statements for Mistango as at October 31, 2020 and 2019 and for the year ended October 31, 2020 and period from January 1, 2019 to September 30, 2019 (adjusted for material transactions between October 1, 2019 and October 31, 2019) are as follows:

	2020	2019
Current assets	\$ 6,971,396	\$ 142,840
Non-current assets	58,335	56,357
Total assets	7,029,731	199,197
Total liabilities	807,612	315,445
Total net loss and comprehensive loss	(1,207,039)	(548,471)

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

6. INVESTMENT IN ASSOCIATES (cont'd)

The continuity of the carrying value for the investment in Mistango is set out below:

	2020	2019
Balance – beginning of year	\$ 458,169	\$ -
Add: Investment in common shares of Mistango	655,000	237,000
Advanced by (repaid to) the Company during the year	(172,889)	285,469
Add: Gain on dilution	1,249,302	-
Less: Equity loss from Mistango	(252,502)	(64,300)
Balance – end of year	\$ 1,937,080	\$ 458,169

Based on the quoted market price at October 31, 2020, the fair value of the Company's interest in Mistango was \$6,053,699 (2019 - \$474,000).

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Building	Automotive Equipment	Machinery and Equipment	Total
Cost						
Balance, October 31, 2018	\$ 5,750	\$ 1,298	\$ 28,748	\$ -	\$ 22,999	\$ 58,795
Additions	-	-	-	-	-	-
Balance, October 31, 2019	5,750	1,298	28,748	-	22,999	58,795
Additions	-	-	-	19,026	-	19,026
Balance, October 31, 2020	5,750	1,298	28,748	19,026	22,999	77,821
Accumulated amortization						
Balance, October 31, 2018	\$ 575	\$ 526	\$ 1,437	\$ -	\$ 2,300	\$ 4,838
Amortization	1,035	231	2,731	-	4,140	8,137
Balance, October 31, 2019	1,610	757	4,168	-	6,440	12,975
Amortization	828	162	2,458	2,854	3,312	9,614
Balance, October 31, 2020	2,438	919	6,626	2,854	9,752	22,589
Net book value, October 31, 2019	\$ 4,140	\$ 541	\$ 24,580	\$ -	\$ 16,559	\$ 45,820
Net book value, October 31, 2020	\$ 3,312	\$ 379	\$ 22,122	\$ 16,172	\$ 13,247	\$ 55,232

8. EXPLORATION EXPENSES

The following are details of the Company's exploration and evaluation expenses:

	2020	2019	Cumulative Since Property Inception
Mirado Property, Ontario	\$ 2,702	\$ 15,675	\$ 5,443,263
MZ Claims Property, Ontario	-	-	680,879
Gold Hill Property, Ontario	-	-	68,269
Knight Property, Ontario	432,502	66,378	2,155,775
McGarry Property, Ontario	88,534	35,522	732,382
	\$ 523,738	\$ 117,575	\$ 9,080,568

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

8. EXPLORATION EXPENSES (cont'd)**Mirado Gold Project “Mirado”**

The Mirado project is located in Kirkland Lake, Ontario and consists of contiguous patented claims, with surface and mining rights, owned 100% by the Company and mining claims owned 100% by the Company. They are subject to a 3% NSR payable to the vendor of which 1% can be purchased by the Company for \$1,000,000. In addition, the Company previously entered into a series of transactions whereby it granted a royalty with the following rights: (a) the right to purchase a 1% NSR on the Mirado project for \$2,000,000 at any time prior to 90 days after the commencement of commercial production from the Mirado Mine; (b) the right of first refusal to provide any future stream financing component to the Company on its possible future Phase Two production from expansion of the open pit provided the financing is on reasonable and competitive commercial terms consistent with industry standards; and (c) the right to receive a 2% NSR with total proceeds capped at a maximum of \$1,000,000 on any future revenues from the Company's possible Phase Two production from expansion of the open pit once a PEA has been completed.

MZ Claims (Comprising Part of the Mirado Gold Project)

The MZ Claims consist of contiguous claims and is owned 100% by the Company. The MZ claims are subject to a 2% NSR payable to the vendors of which 1% of the NSR may be purchased by the Company for \$1,000,000, and the second 1% of the NSR may be purchased for \$2,000,000.

Gold Hill Project “Gold Hill”

The Gold Hill project is located in Kirkland Lake, Ontario and consists of patented claims and is owned 100% by the Company. They are subject to a 1.5% NSR payable to the vendor which can be purchased by the Company for \$500,000.

Knight Project “Knight”

On November 30, 2017, the Company entered into agreements for a series of three acquisitions of contiguous properties from two individual landholders. All properties are located in the Shining Tree district, in the Province of Ontario. The Tyrenite Extension and Porphyry Lake properties were acquired from two individual landholders and consist of a 100% interest in mining claims. These properties are subject to a 3% NSR with a right to buyback 2% of the NSR for \$2,000,000. The Knight Project owned by Premet at acquisition consisted of mining claims and mining leases. During the year ended October 31, 2018, the Company transferred the Mann property and MacMurchy property components of Knight to QC Copper. These properties are subject to various NSR ranging from 2% to 4% with rights to buyback 1% of the NSR for amounts ranging from \$500,000 to \$1,000,000.

To acquire 100% of these properties, the Company issued 22,753,246 shares and 3,412,987 warrants. To acquire a 100% interest in the Tyrenite Extension and the Porphyry Lake claims, the Company issued 5,000,000 shares from its treasury.

McGarry Project “McGarry”

On August 20, 2018 (pursuant to an agreement entered into March 29, 2018), the Company closed the acquisition of the McGarry Mine project, a former producer, and the Barber-Larder project. The McGarry Mine project consists of patented mining claims and mining leases and the Barber-Larder Project consists of patented mining claims and mining leases. All assets are located in McGarry Township in the Province of Ontario. The properties are subject to a 2% NSR with a right to buyout 1% of the NSR for \$1,000,000.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As consideration, the Company issued 8,000,000 common shares at a value of \$0.07 giving a valuation of \$560,000. The Company also incurred legal and land transfer costs in the amount of \$14,972, and distributed 440,248 QC Copper shares in the amount of \$13,785. Also, in connection with the acquisition, a net payment of \$47,000 was incurred as a requirement by the Ontario provincial government to increase the reclamation bond on deposit, giving a total acquisition cost of \$635,757. The acquisition of McGarry also included certain property, plant and equipment with \$57,497 allocated to the property, plant and equipment (furniture and fixtures \$5,750, machinery and equipment \$22,999 and building \$28,748) and the remaining \$578,260 was allocated to McGarry exploration expenses.

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases relating to exploration activities, financing activities, general and administrative expenses and professional fees. The usual credit period taken for trade purchases is between 30 to 90 days.

Accounts payable and accrued liabilities consist of the following:

	2020	2019
Trade payables	\$ 444,180	\$ 405,492
Accruals	26,156	25,000
	\$ 470,336	\$ 430,492

10. FLOW-THROUGH SHARE LIABILITY

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not incurred the required exploration expenditures. Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of the common shares. The incremental proceeds, or “premium”, are recorded as a flow-through liability. As a result of flow-through financings during the year ended October 31, 2020, the Company recorded a total of \$747,400 (2019 - \$19,667) in flow-through liabilities. During the year ended October 31, 2020, the Company recognized a flow-through share premium renunciation of \$7,547 (2019 - \$12,120). At October 31, 2020, the flow-through liability was \$747,400 (2019 - \$7,547).

11. ASSET RETIREMENT OBLIGATION (“ARO”)

A provision for environmental rehabilitation was recognized for mining activities at the Company’s Mirado stockpile area in the amount of \$88,806 and the amount required to be held on deposit with the Ontario provincial government for the Company’s McGarry acquisition in the amount of \$482,161. The provision is estimated based on management’s estimates of projected reclamation costs and the timing of such reclamation activities.

	2020	2019
ARO – beginning of year	\$ 570,967	\$ 570,967
Accretion expense	-	-
ARO – end of year	570,967	570,967
Current portion – obligation to be funded within one year	570,967	570,967
	\$ -	\$ -

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS***Key management personnel compensation***

Key management includes directors, the president, CEO and executive chairman. The remuneration of the key management of the Company during the years ended October 31, 2020 and 2019 was as follows:

	2020	2019
Management and consulting fees	\$ 203,968	\$ 256,000
Geological consulting fees included in exploration expenses	56,967	70,803
Share-based payments	168,944	178,072
	<u>\$ 249,879</u>	<u>\$ 504,875</u>

See also Note 18(iii).

The following are the balances due from (to) associates and related parties:

	2020	2019
Due from Standard Ore Corporation	\$ 7,420	\$ -
Due from American Eagle Gold Corp.	10,000	3,125
Due (to) from Mistango River Resources Inc.	(1,251)	144,624
	<u>\$ 16,169</u>	<u>\$ 147,749</u>

Standard Ore Corporation is a private company incorporated in Ontario. The company is controlled by a director of Orefinders and provides corporate and administrative services to the Company. For the year ended October 31, 2020, Standard Ore charged the Company \$18,167 (2019 - \$Nil) in fees for CFO services included in management and consulting fees and \$3,782 (2019 - \$Nil) in rent expenses included in office, rent and general.

Accounts payable as at October 31, 2020 includes \$6,707 (2019 - \$1,255) payable to officers.

All of the amounts due to and from related parties are unsecured, non-interest bearing with no fixed terms of repayment.

A director of the Company held approximately 44% of the common shares of American Eagle before the Exchange and approximately 26% after the share exchange agreement (Note 6).

A director of the Company subscribed for 1,014,000 shares for gross proceeds of \$450,700 in the July 2019 private placement.

13. SHARE CAPITAL***Authorized share capital***

Unlimited number of voting common shares without par value.

Issued share capital

- (a) On September 30, 2020, the Company closed a \$1,800,000 brokered flow-through private placement financing at a price of \$0.12 per unit, a \$1,400,000 brokered charitable flow-through private placement financing at a price of \$0.14 per unit, and a \$2,300,000 brokered hard-dollar private placement financing at a price of \$0.10 per unit for aggregate proceeds of \$5,500,000.

Under the flow-through financing, 15,000,000 units were issued with each unit consisting of one flow-through common share and one-half of one common share purchase warrant, with each whole warrant exercisable until September 30, 2022 at an exercise price of \$0.18 for one common share.

Under the charitable flow-through financing, 10,000,000 units were issued with each unit consisting of one flow-through common share and one-half of one common share purchase warrant, with each whole warrant exercisable until September 30, 2022 at an exercise price of \$0.18 for one common share.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd)

Under the hard-dollar financing, 23,000,000 units were issued with each unit consisting of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable until September 30, 2022 at an exercise price of \$0.15 for one common share.

Using the Black-Scholes option pricing model, the flow-through warrants were valued at \$181,700, the charitable flow-through warrants were valued at \$121,100, and the hard-dollar warrants were valued at \$322,000.

In connection with private placement, the Company issued 3,099,600 broker compensation options exercisable into one unit at a price of \$0.10 per unit, for a term of two years as a finder's fee. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable until September 30, 2022 at an exercise price of \$0.15 for one common share. The broker compensation options were valued at \$114,700 using the Black-Scholes option pricing model.

The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 89% based on historical volatility, risk free interest rate of 0.25%, expected life of 2 years and a share price of \$0.09.

Also, in connection with financing the Company incurred cash finders' fees, legal expenses and other financing costs of \$490,580.

- (b) On March 27, 2020, the Company closed a flow-through portion of its non-brokered private placement for aggregate proceeds of \$619,000. Upon closing of the offering, the Company issued 8,842,856 units at a price of \$0.07 per unit where each unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.08 for a period of 24 months from the date of issuance.

The valuation of the warrants was estimated to be \$89,500 using the Black-Scholes option pricing model.

In addition, the Company paid certain arm's length finders an aggregate of \$840 in cash and 12,000 broker warrants to acquire shares at \$0.07 per share until March 27, 2022. The valuation of the broker warrants was estimated in the amount of \$243 using the Black-Scholes option pricing model.

The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 78% based on historical volatility, risk free interest rate of 0.44%, an expected life of 2 years, and a share price of \$0.06.

- (c) On February 27, 2020, the Company closed a hard dollar non-brokered private placement for aggregate proceeds of \$1,490,000. Upon closing, the Company issued 29,800,000 units at a price of \$0.05 per unit, where each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.08 for a period of 24 months from the date of issuance.

The valuation of the warrants was estimated in the amount of \$181,000 using the Black-Scholes option pricing model.

In addition, the Company paid certain arm's length finders an aggregate of 1,028,571 broker units, where each unit consists consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.08 for a period of 24 months from the date of issuance. The valuation of the broker warrants was estimated in the amount of \$6,000 using the Black-Scholes option pricing model.

The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 78% based on historical volatility, risk free interest rate of 1.25%, an expected life of 2 years, and a share price of \$0.04.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd)

- (d) On July 16, 2019, the Company announced it has received a subscription for a non-brokered flow-through private placement of 1,966,667 units at a price of \$0.06 per unit, to raise proceeds of \$118,000. Each unit consists of one flow-through common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at \$0.10 per share, until July 16, 2021. The valuation of the warrants was estimated in the amount of \$12,000 using the Black-Scholes option pricing model. Additionally, the Company has received subscriptions for a non-brokered hard dollar private placement of 8,740,000 units at a price of \$0.05 per unit, to raise proceeds of \$437,000. Each unit consists of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one additional common share, at \$0.08 per share, until July 16, 2021. The valuation of the warrants was estimated in the amount of \$63,000 using the Black-Scholes option pricing model. The total aggregate private placement proceeds were \$555,000.

In connection with the flow-through private placement, the Company paid a finder's fee of \$8,750 and issued 196,000 broker warrants to acquire shares at \$0.05 per share until July 16, 2021 valued at \$7,000 using the Black-Scholes option pricing model.

The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 90% based on historical volatility, risk free interest rate of 1.56% and an expected life of 2 years.

- (e) On May 31, 2019, the Company issued 10,000,000 common shares to acquire 10,000,000 common shares of American Eagle. The common shares issued were valued at \$500,000 based on the market price of the Company's shares of \$0.05.
- (f) On May 3, 2019, the Company issued 5,000,000 common shares to acquire 11,850,000 common shares of Mistango River Resources Inc. The common shares issued were valued at \$237,000 based on the market price of the Mistango shares of \$0.02.

Stock options

The Board of Directors of the Company has adopted a stock option plan which permits the Company to grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares and be exercisable for a period of up to five years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant or individual conducting investor relations activities will not exceed 2% of the issued and outstanding shares. Otherwise specified otherwise by the Board of Directors options vest on the date of grant.

A summary of the changes in the Company's share-based payment reserve is set out below:

	2020			2019	
	Number of options	Weighted average exercise price	Weighted average life (years)	Number of options	Weighted average exercise price
Options outstanding, beginning of year	11,471,000	\$ 0.09	3.02	7,996,000	\$ 0.10
Options granted	2,450,000	0.13	4.79	3,475,000	0.07
Options exercised	(100,000)	0.05	-	-	-
Options expired	(650,000)	(0.10)	-	-	-
Options outstanding, end of year	13,171,000	\$ 0.10	2.69	11,471,000	\$ 0.09
Options exercisable, end of year	13,171,000	\$ 0.10	2.69	11,471,000	\$ 0.09

On October 21, 2020, the Company granted 50,000 stock options with an exercise price of \$0.165 and a term of two years. These options vested immediately. The total fair value of \$6,500 was estimated using the Black-Scholes option

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd)

pricing model assuming an expected life of 5 years, a risk-free interest rate of 0.36% and an expected volatility of 117%. The granting of these options resulted in a share-based payment expense of \$6,500 being recorded during the year ended October 31, 2020.

On August 14, 2020, the Company granted 2,400,000 stock options with an exercise price of \$0.13 and a term of five years. These options vested immediately. The total fair value of \$245,736 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 0.42% and an expected volatility of 120%. The granting of these options resulted in a share-based payment expense of \$245,736 being recorded during the year ended October 31, 2020.

On July 9, 2019, the Company granted 3,475,000 stock options with an exercise price of \$0.07 and a term of five years. These options vested immediately. The total fair value of \$221,000 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 1.56% and an expected volatility of 143%. The granting of these options resulted in a share-based payment expense of \$221,000 being recorded during the year ended October 31, 2019.

The estimated volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company's shares. The weighted average fair value of all grants in the year ended October 31, 2020 was \$0.10 (2019 - \$0.06) per share.

Stock options

The following incentive stock options were outstanding and exercisable at October 31, 2020:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
1,600,000	1,600,000	\$ 0.05	November 17, 2020 (exercised in November 2020)
375,000	375,000	\$0.055	July 8, 2021
721,000	721,000	\$ 0.07	October 24, 2021
400,000	400,000	\$0.07	July 13, 2022
3,850,000	3,850,000	\$0.13	January 5, 2023
300,000	300,000	\$0.10	June 5, 2023
3,475,000	3,475,000	\$0.07	July 9, 2024
2,400,000	2,400,000	\$0.13	August 14, 2025
50,000	50,000	\$0.165	October 21, 2025
13,171,000	13,171,000	\$ 0.10	

Warrants

A summary of the changes in the Company's warrants is set out below:

	2020			2019	
	Number of warrants	Weighted average exercise price	Weighted average life (years)	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	11,055,883	\$ 0.07	0.95	5,506,550	\$ 0.06
Warrants issued	43,847,714	0.13	1.69	5,549,333	0.08
Warrants exercised	(7,381,982)	(0.06)	-	-	-
Warrants expired	(2,677,978)	(0.12)	-	-	-
Warrants outstanding, end of year	44,843,637	\$ 0.13	1.58	11,055,883	\$ 0.07

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd)

As at October 31, 2020 the following warrants were outstanding.

Number of warrants outstanding	Exercise Price	Expiry Date
883,333	\$0.10	July 16, 2021
4,070,000	\$0.08	July 16, 2021
126,000	\$0.05	July 16, 2021 (exercised in November 2020)
10,928,590	\$0.08	February 27, 2022
514,286	\$0.08	February 27, 2022
4,321,428	\$0.08	March 27, 2022
11,500,000	\$0.15	September 30, 2022
7,500,000	\$0.18	September 30, 2022
5,000,000	\$0.18	September 30, 2022
44,843,637	\$ 0.13	

Broker compensation options

In connection with the September 30, 2020 financing, the Company issued 3,099,600 broker compensation options. Each broker compensation option is exercisable into one unit at an exercise price of \$0.10 per unit for a term of two years. These options vested immediately. The total fair value of \$114,700 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 0.25% and an expected volatility of 89%.

As at October 31, 2020 the following broker compensation options were outstanding.

Number of broker compensation options outstanding	Exercise Price	Expiry Date
3,099,600	\$0.10 ⁽¹⁾	September 30, 2022

- (1) Exercisable into one unit, comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable until September 30, 2022 at an exercise price of \$0.15 for one common share.

Share-based payment reserve

A summary of the changes in the Company's share-based payment reserve is set out below:

	2020	2019
Balance – Beginning of year	\$ 3,586,133	\$ 3,283,133
Value of warrants issued on private placements	895,300	75,000
Value of broker warrants issued	6,243	7,000
Warrants exercised	(229,470)	-
Stock options exercised	(1,923)	-
Broker compensation options issued	114,700	-
Share-based payments	252,236	221,000
Balance – End of year	\$ 4,623,219	\$ 3,586,133

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

14. CAPITAL MANAGEMENT

The Company's capital structure is adjusted based on managements' and the Board of Directors' decision to fund expenditures with the issuance of debt or equity such that it may complete the acquisition, exploration and development of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of share capital, share-based payment reserve and deficit.

The Company's mineral properties are in the exploration stage and, as a result, the Company does not currently generate cash flow from operations. The Company intends to raise such funds as and when required to complete its exploration projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms.

The only sources of future funds presently available to the Company are through the exercise of outstanding stock options and warrants and the sale of equity capital of the Company, the issuance of loans and/or debentures or the sale of an interest in any of its mineral properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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 years ended October 31, 2020 and 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at October 31, 2020, the Company is compliant with the policies of the TSXV.

15. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2020	2019
Loss for the year before income taxes	\$ 139,936	\$ 1,085,034
Statutory tax rate	26%	26%
Expected income tax recovery	(37,000)	(282,109)
(Gain) on changes in fair value through profit and loss financial assets	(247,500)	-
Equity loss from investment in associates	184,000	73,531
(Gain) on dilution of associate	(331,000)	(35,094)
Flow-through renunciation	113,000	-
Non-taxable items	17,500	-
Share-based payments	67,000	57,460
Other	-	3,073
	(234,000)	(183,139)
Tax benefit not realized	234,000	183,139
Flow-through share premium renunciation	(7,547)	(12,120)
Deferred income tax (recovery)	\$ (7,547)	\$ (12,120)

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

15. INCOME TAXES (cont'd)

Deferred income tax assets and liabilities have not been recognized in respect of the following deductible temporary differences.

	2020	2019
Property, plant and equipment	\$ 22,365	\$ 14,049
Exploration and evaluation expenses	13,258,949	13,162,701
Share and debt issue costs	403,342	71,675
Non-capital losses available for future years	3,393,130	2,698,823
Asset retirement obligation	570,967	570,967
Marketable securities	(423,113)	-
Investment in associates	247,846	327,121
	\$ 17,473,486	\$ 16,845,336

The tax pool balances on hand at October 31, 2020, including expiry dates, are as follows:

	Non-capital losses	Property, plant and equipment	Share and debt issue costs	Exploration and evaluation expenses
2021	\$ -	\$ -	\$ 102,386	\$ -
2022	-	-	102,386	-
2023	-	-	100,286	-
2035	491,967	-	98,284	-
2036	578,197	-	-	-
2037	78,355	-	-	-
2038	900,579	-	-	-
2039	649,725	-	-	-
2040	694,305	-	-	-
No expiry	-	22,365	-	13,258,949
	\$ 3,393,130	\$ 22,365	\$ 403,342	\$ 13,258,949

The potential future benefits of these losses have not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Income tax considerations pertaining to the Company's flow-through financings are as follows:

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures in the period permitted. See Note 18(ii).

16. FINANCIAL RISK MANAGEMENT

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:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held in bank accounts, restricted cash and marketable securities. Cash is held with major banks in Canada. Restricted cash is on deposit with an Ontario government agency. Certain marketable securities are held in a brokerage account. Management assesses credit risk of cash as remote.

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

16. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company strives to ensure that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk, currency risk, market price risk, and commodity price risk, affect the fair value of financial assets and liabilities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debt. The Company's current policy is to deposit excess cash in non-interest-bearing accounts at its Canadian banking institutions.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar as the majority of its transactions and operations are in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Market price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long-term working capital requirements.

The Company was also exposed to market risk relating to its investment in marketable securities and unfavourable market conditions could result in dispositions of marketable securities at less than favourable prices. The Company's marketable securities were comprised of investments in publicly traded corporations.

Commodity price risk

The value of the Company's exploration and evaluation assets are related to the price of gold and other mineral commodities, and the outlook for this mineral. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

Based on management's knowledge and experience of the financial markets, the Company believes that movements at $\pm 10\%$ are "reasonably possible" over a one-year period:

(i) The Company does not hold significant balances in foreign currencies to give rise to significant exposure to foreign exchange risk.

(ii) Price risk is remote since the Company is a non-producing entity.

(iii) The Company's marketable securities are subject to fair value fluctuations. As at October 31, 2020, if the fair value of the marketable securities and other investments fluctuated by 10% all other factors held constant, net loss would have changed by approximately \$63,000 (2019 - \$Nil).

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

16. FINANCIAL RISK MANAGEMENT (cont'd)

The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The carrying value of the Company's financial instruments approximates fair value due to their short-term or demand nature.

Classification of financial instruments

Financial assets included in the consolidated statement of financial position are as follows:

	2020	2019
Loans and receivables:		
Cash	\$ 6,352,599	\$ 332,687
Restricted cash	570,967	570,967
Due from associates	10,000	10,581
Due from related party	7,420	-
FVPL:		
Marketable securities	632,470	-
	\$ 7,573,456	\$ 914,235

Financial liabilities included in the consolidated statement of financial position are as follows:

	2020	2019
Other financial liabilities:		
Accounts payable and accrued liabilities	\$ 470,336	\$ 430,492
Due to associate	1,251	-
	\$ 471,587	\$ 430,492

The Company held marketable securities during 2020 and 2019 that were carried at fair value. They were classified at Level 1 in the fair value hierarchy.

17. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended October 31, 2020 and 2019, the Company incurred the following non-cash transactions that are not reflected in the consolidated statement of cash flows:

	2020	2019
Broker units and warrants issued	\$ 6,243	\$ 7,000
Broker compensation options issued	114,700	-
Value of common shares issued on acquisition of investment in American Eagle	-	500,000
Value of common shares issued on acquisition of Mistango	-	237,000

18. COMMITMENTS AND CONTINGENCIES

- (i) The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- (ii) Pursuant to the terms of the flow-through share agreement entered into on July 16, 2019, the Company was committed to incurring Canadian Exploration Expenditures of \$118,000 by December 31, 2020. Pursuant to the terms of the flow-through agreements entered into on March 27, 2020 and September 30, 2020, the Company is committed to incurring Canadian Exploration Expenditures of \$3,890,000 by December 31, 2021. Through October 31, 2020, the Company had incurred the \$118,000 in eligible exploration expenditures which left a \$Nil

OREFINDERS RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

18. COMMITMENTS AND CONTINGENCIES (cont'd)

expenditure commitment to be made by December 31, 2020. In addition, the Company incurred \$318,299 in eligible exploration expenditures which left at \$3,571,701 to be made by December 31, 2021. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitment.

On July 10, 2020, the Department of Finance Canada announced a proposal to extend the time that issuers of "flow-through shares" have to incur eligible expenditures by 12 months. The Company is taking the position that the Canadian provinces will also provide a similar 12-month extension. This proposal has not yet been enacted into law. Should it be enacted, the Company would have until December 31, 2021 to spend the remaining amount from 2019 and until December 31, 2022 to spend the amount raised in 2020.

(iii) The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$10,000 due within one year.

(iv) In February 2019, the Company entered into an agreement for the lease of office space. Minimum rental payments over the term of the agreement are approximately:

2021	\$ 37,000
2022	<u>9,000</u>
	<u>\$ 46,000</u>

(v) The COVID-19 pandemic is causing a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results, including the Company's ability to secure financing; however, the impact could be material.

19. EVENTS SUBSEQUENT TO YEAR END

(i) From November 1, 2020 through March 1, 2021, the Company received \$80,000 from the exercise of 1,600,000 stock options and \$5,250 from the exercise of 105,000 warrants.

(ii) On January 27, 2021, the Company signed an Arrangement Agreement with American Eagle (the "Arrangement"). Under the Arrangement, American Eagle is seeking a listing on the TSXV and undertaking a financing of at least \$3,000,000. Subject to completion of the financing and the listing together with Court approval of the Arrangement, shareholders of the Company will receive their proportionate share of that portion of the Company's 10,000,000 shares of American Eagle which the Company will make available to complete the Arrangement. The Arrangement is subject to regulatory, TSXV and shareholder approval.