

**NAVY RESOURCES CORP.**

Condensed Interim Financial Statements

September 30, 2020

(Expressed in Canadian Dollars - Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

**NAVY RESOURCES CORP.**Condensed Interim Statements of Financial Position  
(Expressed in Canadian dollars - Unaudited)

	September 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 2,071,404	\$ 697,769
Receivable	16,912	2,071
Prepaid expenses	50,119	-
	2,138,435	699,480
Exploration and evaluation asset (Note 3)	477,685	-
<b>Total assets</b>	<b>\$ 2,616,120</b>	<b>\$ 699,840</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 111,433	\$ 23,792
<b>Total liabilities</b>	<b>111,433</b>	<b>23,792</b>
<b>Shareholders' equity (deficit)</b>		
Share capital (Note 4)	4,144,750	1,983,063
Share-based payment reserve (Note 4)	923,317	135,817
Deficit	(2,563,380)	(1,442,832)
<b>Total shareholders' equity (deficit)</b>	<b>2,504,687</b>	<b>676,048</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 2,616,120</b>	<b>\$ 699,840</b>

Nature of and continuance of operations (Note 1)

Approved on behalf of the Board on November 30, 2020:

/s/ "Paul Sun"

Paul Sun, Director

/s/ "Martin Bajic"

Martin Bajic, Director

**NAVY RESOURCES CORP.**

## Condensed Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars - Unaudited)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
<b>Expenses</b>				
General and administrative (Note 5)	\$ 3,645	\$ 4,654	\$ 7,764	\$ 21,664
Exploration	39,822	-	53,472	-
Interest expense	-	1,243	-	6,260
Professional fees	3,151	3,953	28,846	6,851
Consulting fees (Note 5)	110,850	1,500	231,100	4,500
Stock based compensation	787,500	-	787,500	-
Transfer agent and filing fees	2,170	7,683	11,866	16,904
<b>Net and comprehensive loss</b>	<b>\$ 947,138</b>	<b>\$ 19,033</b>	<b>\$ 1,120,548</b>	<b>\$ 56,179</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.04)</b>	<b>\$ (0.00)</b>	<b>\$ (0.04)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>26,702,240</b>	<b>16,482,278</b>	<b>25,654,613</b>	<b>15,630,546</b>

**NAVY RESOURCES CORP.**Condensed Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars - Unaudited)

	Share capital		Share-based payment reserve	Deficit	Total shareholders' equity
	Number	Amount			
Balance, December 31, 2018	15,200,000	\$ 1,006,852	\$ 135,817	\$ (1,360,824)	\$ (218,155)
Shares issued for cash	7,350,000	735,000	-	-	735,000
Shares issued for settlement for debt	2,480,800	248,080	-	-	248,080
Net and comprehensive loss for the period	-	-	-	(56,179)	(56,179)
Balance, September 30, 2019	15,200,000	\$ 1,989,932	\$ 135,817	\$ (1,417,003)	\$ 708,746
Balance, December 31, 2019	25,030,800	\$ 1,983,063	\$ 135,817	\$ (1,442,832)	\$ 676,048
Shares issued for exploration property	100,000	15,000	-	-	15,000
Shares issued for cash, net of issuance costs	11,000,080	2,146,687	-	-	2,146,687
Stock options granted	-	-	787,500	-	787,500
Net and comprehensive loss for the period	-	-	-	(1,120,548)	(1,120,548)
Balance, September 30, 2020	36,130,880	\$ 4,144,750	\$ 923,317	\$ (2,563,380)	\$ 2,504,687

**NAVY RESOURCES CORP.**Condensed Interim Statements of Cash Flows  
(Expressed in Canadian dollars - unaudited)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash provided by (used in):		
Operating activities		
Net loss	\$ (1,120,548)	\$ (56,179)
Non-cash item		
Stock based compensation	787,500	
Changes in non-cash working capital items:		
Receivable	(14,841)	(2,092)
Prepaid expenses	(50,119)	-
Accounts payable and accrued liabilities	87,641	(54,812)
Net cash provided by (used in) operating activities	(310,367)	(113,083)
Financing activities		
Proceeds from promissory note payable	-	118,000
Proceeds from issuance of common shares	2,146,687	735,000
Net cash from financing activity	2,146,687	853,000
Investing activity		
Additions to exploration and evaluation asset	(462,685)	-
Net cash used in investing activity	(462,685)	-
Increase (decrease) in cash	1,373,635	739,917
Cash and cash equivalents, beginning	697,769	1,163
Cash and cash equivalents, ending	\$ 2,071,404	\$ 741,080

## **NAVY RESOURCES CORP.**

Notes to Condensed Interim Financial Statements  
For the nine months ended September 30, 2020  
(Expressed in Canadian dollars - unaudited)

### **1. Nature and continuance of operations**

Navy Resources Corp. (the "Company") was incorporated in the province of British Columbia on May 5, 2011. The Company is engaged in the exploration and evaluation of resource properties. The Company's registered office is 1740-1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3. The Company's shares are traded on the TSX Venture Exchange (the "Exchange") under the symbol "NVY".

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At September 30, 2020, the Company had cash of \$2,071,404 (December 31, 2019 - \$697,769) and its current assets exceed its current liabilities by \$2,027,002 (December 31, 2019 - \$676,048). The Company currently has no active business and is not generating any revenues. It has incurred losses and negative cash flows from operations since inception and had an accumulated deficit of \$2,563,380 as at September 30, 2020 (December 31, 2019 - \$1,442,832). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These uncertainties cast significant doubt on the ability of the Company to continue as a going concern.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. These financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

### **2. Significant accounting policies**

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed, and therefore these financial statements should be read in conjunction with the Company's December 31, 2019 audited annual consolidated financial statements and the notes to such financial statements.

These financial statements are based on the IFRS issued and effective as of November 30, 2020, the date these financial statements were authorized for issuance by the Company's Board of Directors, and follow the same accounting policies and methods of computation as the most recent annual financial statements, except for the impact of the changes in accounting policies disclosed below:

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### 2. Significant accounting policies

#### *New accounting standards and interpretation*

The Company has adopted the following new accounting standard and interpretation:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases in the statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied a modified retrospective transition approach. The Company does not have any leases, and as a result, this standard had no impact on the Company's financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company's financial statements.

#### *Accounting standards issued but not yet adopted*

The Company has not applied the following amendment that has been issued but is not yet effective:

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company has not elected to apply this amendment early.

### 3. Exploration and evaluation asset

On April 20, 2020 the Company entered into an option agreement to acquire a 100% interest in the Hot Springs Property in the Humboldt County of Nevada, USA. In order to acquire the option, the Company is required to pay payments of USD \$136,140, issue 1,650,000 common shares and make a final balloon payment of \$1,500,000 on the fifth anniversary. The balloon payment may be made in cash or stock, at the Company discretion. The optionor maintain a 2% net smelter royalty which may be purchased by the Company in 0.1% increments for USD\$100,000 per each 0.1% increment.

In addition, the Company staked an additional 111 claims totalling 927 hectares adjacent to the property subject to the option terms.

A summary of payments is outlined below:

Latest Payment Date	Cash	Shares	Balloon payment
Effective Date	\$36,140	100,000	-
First Anniversary	\$25,000	150,000	-
Second Anniversary	\$25,000	300,000	-
Third Anniversary	\$25,000	300,000	-
Fourth Anniversary	\$25,000	300,000	-
Fifth Anniversary	-	500,000	\$1,500,000
Total	\$135,140	1,650,000	\$1,500,000



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### 3. Exploration and evaluation asset (continued)

Costs related to the properties can be summarized as follows:

	Balance, December 31, 2019 and 2018	Additions	Balance, June 30, 2020
	\$	\$	\$
<b>Acquisition costs</b>			
Option payment – shares	-	15,000	15,000
Option payment – cash	-	51,710	51,710
Staking costs	-	21,967	21,967
	-	88,677	88,677
<b>Exploration costs</b>			
Consulting	-	124,630	124,630
Maintenance	-	76,023	76,023
Analytics	-	102,305	102,305
Rock Sampling	-	77,789	77,789
Sundry	-	8,261	8,261
	-	389,008	389,008
Total	-	477,685	477,685

### 4. Share capital

*Authorized share capital:*

Unlimited common shares without par value.

*Issued and outstanding:*

At September 30, 2020, there were 36,130,880 common shares issued and fully paid common shares outstanding (December 31, 2019 – 25,030,800).

On September 18, 2019, the Company issued 7,350,000 common shares for proceeds of \$735,000. The Company incurred share issuance costs of \$6,869 related to these share issuances.

On September 18, 2019, the Company issued 2,480,080 common shares to settle promissory notes payable and interest in the amount of \$248,080.

On April 20, 2020, the Company issued 100,000 common shares with a fair value of \$15,000 in relation to the property acquisition (see Note 3).

On September 17, 2020, the Company issued 11,000,080 common shares for proceeds of \$2,200,016. The Company incurred share issuance costs of \$53,329 related to these share issuances.

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### 4. Share capital (continued)

#### Options:

On April 12, 2012, the directors of the Company adopted a Stock Option Plan (the "Plan"). The plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance, set aside and made available for issuance under the 2013 Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting of options. The number of common shares which may be reserved in any 12 month period for issuance to any one individual upon exercise of all stock options held by that individual may not exceed 5% of the issued and outstanding common shares of the Company at the time of grant. The number of common shares which may be reserved in any 12 months period for issuance to any one consultant may not exceed 2% of the issued and outstanding common shares and the maximum number of common shares which may be reserved in any 12 month period for the issuance to all persons engaged in investor relation activities may not exceed 2% of the issued and outstanding common shares of the Company. The 2013 Plan provides that options granted to any person engaged in investor relations activities will vest in stages over 12 months with no more than  $\frac{1}{4}$  of the stock options vesting in any three month period.

A continuity schedule of the Company's outstanding stock options for the periods ended September 30, 2020 and 2019 are as follows:

	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	-	\$ -	-	\$ -
Granted	2,200,000	0.25	-	-
<b>Outstanding and exercisable, end of period</b>	<b>2,200,000</b>	<b>\$ 0.25</b>	<b>-</b>	<b>\$ -</b>

At September 30, 2020, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Exercise price	Weighted average remaining contractual life (in years)
September 17, 2025	2,200,000	\$ 0.25	4.96

#### Reserves:

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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### **5. Related party transactions**

During the three and nine months ended September 30, 2020 the Company paid officers and directors \$97,500 and \$217,500 for consulting services (2019 - \$1,500 and \$4,500).

During the three and nine months ended September 30, 2020 the Company paid officers and directors \$2,250 and \$6,750 for rent (2019 - \$13,500 and \$22,500).

During the three and nine months ended September 30, 2020 the Company incurred stock based compensation to officers and directors in the amount of \$429,545 and \$429,545 (2019 - \$Nil and \$Nil).

Included in accounts payable is \$46,235 owing to companies controlled by an officer and director (December 31, 2019 - \$7,475).

### **6. Subsequent event**

On October 26, 2020, the Company granted a consultant 100,000 stock options with an exercise price of \$0.45 and a term of 5 years.