BLACKROCK GOLD CORP.

Consolidated Financial Statements

For the Years Ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Blackrock Gold Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Blackrock Gold Corp., which comprise the consolidated statements of financial position as at October 31, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and 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 financial position of Blackrock Gold Corp. as at October 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our 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 Blackrock Gold Corp. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has limited working capital, no sources of revenue, and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

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. 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 Blackrock Gold Corp.'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 Blackrock Gold Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Blackrock Gold Corp.'s financial reporting process.

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

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

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

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

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

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

De Visser Gray LLP

Chartered Professional Accountants

Vancouver, BC, Canada
February 28, 2019

BLACKROCK GOLD CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		October 31, 2019		October 31, 2018
Assets				
Current assets				
Cash	**$**	**878,066**	$	210,029
Amounts receivable		**20,384**		34,445
Prepaid expenses and deposits (Note 4)		**190,034**		171,426
		1,088,484		415,900
Non-current assets				
Gauranteed investment certificate (Note 12)		**33,000**		-
Fixed assets		**4,905**		-
Exploration and evaluation assets (Note 5)		**1,623,665**		711,471
	$	**2,750,054**	$	1,127,371
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**344,865**	$	29,352
Loans payable (Notes 6, 8)		**131,436**		110,681
Due to related parties (Note 8)		**99,439**		45,264
		575,740		185,297
Shareholders' Equity				
Share capital (Note 7)		**6,757,887**		4,401,972
Reserves (Note 7)		**1,085,554**		565,505
Deposit for share issuance (Note 13)		**50,000**		-
Deficit		**(5,719,127)**		(4,025,403)
		2,174,314		942,074
	$	**2,750,054**	$	1,127,371

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 12)
Subsequent Events (Note 13)

Approved by the Directors:

"Alan Carter"	*"Tony Wood"*
Alan Carter, Director	Tony Wood, Director

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

BLACKROCK GOLD CORP.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		Year Ended October 31,		
		2019		2018
Operating expenses				
Accounting and audit	**$**	**16,647**	$	15,000
Bank charges and interest		**3,916**		2,727
Consulting fees (Note 8)		**202,743**		156,232
Foreign exchange loss		**15,482**		4,285
Insurance		**9,448**		7,002
Interest expense (Notes 6, 8)		**9,849**		9,941
Legal fees		**134,654**		56,618
Management fees (Note 8)		**316,878**		238,590
Marketing and communications		**184,764**		172,998
Office expense		**31,684**		8,623
Regulatory and filing fees		**37,613**		27,855
Rent		**9,102**		10,426
Share-based payments (Notes 7, 8)		**566,979**		308,380
Travel		**54,598**		36,219
Wages (Note 8)		**99,367**		93,146
Net and Comprehensive Loss for the year	**$**	**(1,693,724)**	$	(1,148,042)
Basic and Diluted Loss per share	**$**	**(0.04)**	$	(0.04)
Weighted average number of shares outstanding				
Basic and Diluted		**47,007,057**		31,711,477

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

BLACKROCK GOLD CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year Ended October 31,		
		2019		2018
Cash provided by (used for):				
Operating activities				
Net loss for the year	**$**	**(1,693,724)**	$	(1,148,042)
Adjustment for items not involving cash:				
Interest accrued on loans payable		**10,567**		9,334
Share-based payments		**566,979**		308,380
		(1,116,178)		(830,328)
Changes in non-cash operating capital:				
Amounts receivable		**14,061**		(24,405)
Prepaid expenses and deposits		**(51,608)**		(86,160)
Accounts payable and accrued liabilities		**(9,362)**		12,991
Due to related parties		**54,175**		15,930
		(1,108,912)		(911,972)
Investing activity				
Fixed asset purchase		**(4,905)**		-
Exploration and evaluation assets		**(567,039)**		(555,471)
		(571,944)		(555,471)
Financing activities				
Proceeds from loans payable		**32,860**		61,039
Repayment of loans payable		**(22,672)**		(26,281)
Issuance of common shares, net of share issue costs		**2,288,705**		1,550,900
Deposit for share option exercise		**50,000**		-
		2,348,893		1,585,658
Increase in cash		**668,037**		118,215
Cash, beginning of the year		**210,029**		91,814
Cash, end of the year	**$**	**878,066**	$	210,029
Supplementary disclosure:				
Mineral property expenditures included in accounts payable	**$**	**324,875**	$	-
Shares issued for exploration and evaluation assets	**$**	**20,280**	$	156,000
Shares issued for settlement of accounts payable	**$**	**-**	$	40,000
Conversion of related party advance to loan payable	**$**	**-**	$	40,308

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

BLACKROCK GOLD CORP.

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Deposit for share issuance	Reserves	Deficit	Total equity
Balance at October 31, 2017	22,442,518	$ 2,647,428	$ -	$ 264,769	$ (2,877,361)	$ 34,836
Private placements	18,810,000	1,581,000	-	-	-	1,581,000
Shares for debt settlement	400,000	40,000	-	-	-	40,000
Shares for property payment	1,200,000	156,000	-	-	-	156,000
Share issue costs	-	(42,700)	-	-	-	(42,700)
Share-based payments	-	-	-	308,380	-	308,380
Share options exercised	140,000	20,244	-	(7,644)	-	12,600
Net loss for the year	-	-	-	-	(1,148,042)	(1,148,042)
Balance at October 31, 2018	42,992,518	4,401,972	-	565,505	(4,025,403)	942,074
Private placements	12,380,125	1,620,820	-	-	-	1,620,820
Share issue costs	-	(11,115)	-	-	-	(11,115)
Shares for property payment	150,000	16,500	-	3,780	-	20,280
Warrants exercised	4,527,500	623,500	-	-	-	623,500
Share options exercised	650,000	106,210	-	(50,710)	-	55,500
Deposit for share option exercise	-	-	50,000	-	-	50,000
Share-based payments	-	-	-	566,979	-	566,979
Net loss for the year	-	-	-	-	(1,693,724)	(1,693,724)
Balance at October 31, 2019	60,700,143	$ 6,757,887	$ 50,000	$ 1,085,554	$ (5,719,127)	$ 2,174,314

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

1) NATURE OF OPERATIONS AND GOING CONCERN

Blackrock Gold Corp. ("our" or the "Company") was incorporated on April 16, 1999 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition, exploration and development of mineral properties located in Canada and the United States. Effective July 27, 2016, the Company changed its name from Almo Capital Corp. to Blackrock Gold Corp. The Company's shares began trading on the TSX Venture Exchange ("TSX-V") under the symbol "BRC.V" on July 27, 2016 and also trade on the OTCQB under the symbol "BKRRF".

The head office, registered address, principal address and records office of the Company are located at 2300 – 1177 West Hastings Street, Vancouver, BC Canada V6E 2K3.

These consolidated financial statements (the "financial statements") have been prepared assuming the Company will continue on a going concern basis, or that it will continue to realize its assets and meet its obligations in the normal course of business. The Company has incurred losses since inception and has an accumulated operating deficit of $5,719,127 at October 31, 2019 (2018 - $4,025,403). For the year ended October 31, 2019, the Company had a net loss of $1,693,724 (2018 – 1,148,042), cash flows used in operating activities of approximately $1,108,912 (2018 – $911,972) and working capital of $512,744 (2018 - $230,603). The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate equity and/or debt financing to fund its exploration and administrative expenses. To date, the Company has not earned operating revenue.

The Company is uncertain that it can raise capital to meet its obligations, fund operations, or advance its mineral projects, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in the statement of financial position. These conditions indicate the existence of material uncertainties that cast significant doubt that the Company will be able to continue on a going concern basis. Failure to maintain the support of creditors and raise capital will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time. These financial statements contain no adjustments which would likely become necessary should the Company become unable to continue as a going concern.

Management plans to continue to pursue equity and debt financing to support operations. These plans may be adversely impacted by factors including uncertain market conditions and commodity prices. There can be no assurance that management's plan will be successful.

The recovery of the amounts comprising exploration and evaluation assets are dependent upon the ability of the Company to obtain necessary financing to successfully complete the development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

2) BASIS OF PRESENTATION

These financial statements were authorized for issue on February 28, 2020 by the directors of the Company.

a) Statement of compliance to International Financial Reporting Standards
These financial statements of the Company have been prepared in accordance 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"). These financial statements comply with International Accounting Standard 1, Presentation of Financial Statements ("IAS 1").

2) BASIS OF PRESENTATION – Continued

b) Basis of preparation
These financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale or fair value through profit or loss that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for adoption on October 31, 2019, the Company's annual reporting date.

Certain amounts in the prior period have been reclassified to conform to the current period presentation.

c) Basis of consolidation
The financial statements of the Company include the following subsidiary:

Name of subsidiary	Place of incorporation	Percentage ownership
Blackrock Gold Corp.	*USA*	100%

Blackrock Gold Corp. was incorporated on May 9, 2018. The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

d) Accounting estimates and judgments
The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The critical accounting judgment is the determination that the Company has the ability to continue as a going concern for the next year. Other accounting estimates and judgments include functional currency determination, recoverability of exploration and evaluation costs, impairment of mining interest, valuation of securities-based payments, and income tax assets.

2) BASIS OF PRESENTATION – Continued

e) Foreign currencies

The Company assesses functional currency on an entity by entity basis based on the related fact pattern; however, the presentation currency used in these financial statements is determined at management's discretion.

The currency of the parent company, and the presentation currency applicable to these financial statements, is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each state of financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss.

f) New accounting standards and interpretations

The new IFRS pronouncements listed below became effective on November 1, 2018 and were adopted by the Company during the current year:

(i) Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39.

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than income/loss from operations, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

2) BASIS OF PRESENTATION – Continued

The new hedge accounting model in IFRS 9 aligns hedge accounting with risk management activities undertaken by an entity. Components of both financial and non-financial items are now eligible for hedge accounting, as long as the risk component can be identified and measured. The hedge accounting model includes eligibility criteria that must be met, but these criteria are based on an economic assessment of the strength of the hedging relationship.

(ii) Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

g) Future accounting standards and interpretations

New IFRS pronouncements that have been issued but are not yet effective at the date of these financial statements are listed below. The Company plans to apply the new standards or interpretations in the annual period for which they are first required.

(i) Leases

The IASB issued IFRS 16, Leases ("IFRS 16"), which eliminates the classification of leases as either operating or finance leases for a lessee. IFRS 16 is effective from January 1, 2019. Under IFRS 16, all leases will be recorded on the statement of financial position. The only exemptions to this will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases on the statement of financial position under IFRS 16 will increase "right-of-use" assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases, as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for right-of-use assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about right-of-use assets and expenses and cash flows related to leases, (b) a maturity analysis of lease liabilities and (c) any additional company-specific information that is relevant to satisfying the disclosure objective.

The Company will apply IFRS 16 as at November 1, 2019.

3) SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of balances on deposit and investments in highly liquid short-term deposits which are readily convertible into known amounts of cash and which are subject to insignificant risks of changes in fair value. The Company had no cash equivalents at October 31, 2019, and October 31, 2018.

3) SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument.

At initial recognition, financial assets are measured at fair value and classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). At initial recognition, financial liabilities are measured at fair value and classified as, subject to certain exceptions, subsequently measured at amortized cost. For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the statement of comprehensive loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTPL unless it is measured at amortized cost or FVTOCI. However, an irrevocable election can be made at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value through other comprehensive income.

The Company’s financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash	Amortized cost
Receivables (excluding GST/sales tax receivable)	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Due from related parties	Amortized cost

Impairment
The Company recognizes an allowance using the expected credit loss (“ECL”) model on financial assets classified as subsequently measured at amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as subsequently measured at amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of comprehensive loss.

3) SIGNIFICANT ACCOUNTING POLICIES – Continued

Exploration and evaluation assets
Once a license to explore an area has been secured, expenditures on exploration and evaluation assets are capitalized and classified as a non-current asset. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Impairment of non-current assets
The Company's exploration and evaluation assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive income/loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

The Company provides for the costs of future reclamation activities at the time it conducts exploration and evaluation activities and records the present value of the estimated reclamation expenditures required to restore the exploration sites in the year in which the obligation is incurred. When the obligation is recognized, the estimated expenditures are recorded in operations. Changes in estimated reclamation expenditures will be recognized as changes to the corresponding assets and reclamation liability in the year in which they occur.

Share capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the agreement to issue shares was concluded.

3) SIGNIFICANT ACCOUNTING POLICIES – Continued

Share-based payments

The Company grants share purchase options to directors, officers, employees and consultants to purchase common shares. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

Earnings or loss per share

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Income taxes

The Company accounts for income taxes using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using enacted or substantially enacted income tax rates at each statement of financial position date. Deferred assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or a part of the deferred income tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

(Expressed in Canadian dollars)

4) PREPAID EXPENSES

Prepaid expenses at October 31, 2019 and 2018 is comprised of the following:

		2019		2018
Digital marketing (i)	**$**	**83,704**	$	80,600
Insurance		**15,550**		4,660
Consulting services (ii)		**-**		48,403
Marketing and lead generation (iii)		**7,533**		17,932
Marketing (iv)		**30,365**		14,575
Deposits - trade shows/conferences		**46,148**		-
Other		**6,734**		5,256
	$	**190,034**	$	171,426

(i) On September 9, 2016, the Company entered into a digital marketing agreement for online marketing services for a period of 90 days commencing November 20, 2016. A non-refundable digital marketing fee of US$125,000 ($161,200) was paid to the advertiser as compensation for these services. This agreement has been placed on hold until subsequent to year-end, when the remaining balance was utilized.

(ii) On April 1, 2018, the Company entered into a consulting agreement for business advisory services for a period of 12 months. A non-refundable (unless termination is for cause) consulting fee of $125,000 was required as compensation for these services.

(iii) On July 4, 2019, the Company entered into a 12-month marketing and lead generation contract. A fee of $11,300 was paid to the marketer as compensation for these services. On March 8, 2018, the Company entered into a marketing agreement for marketing and lead generation campaign services for a period of 12 months. A fee of $36,000 was paid to the marketer as compensation for these services.
In September 2019, the Company entered into two six-month marketing contracts for editorial coverage. Fees of $18,000 and $27,548 (US$20,400) were paid as compensation for these services. On March 19, 2018, the Company entered into a marketing agreement for unlimited editorial coverage for a period of 12 months. A fee of $35,000 was paid to the marketer as compensation for these services.

5) EXPLORATION AND EVALUATION ASSETS

Title disclaimer
As at October 31, 2019, all of the Company’s exploration and evaluation assets are located in British Columbia, Canada, and Nevada, United States. Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its mineral properties and, to the best of its knowledge; its properties are in good standing

Silver Cloud Project
On October 27, 2017, the Company entered into a Lease Agreement (the “Lease”) with Pescio Exploration, LLC (“Pescio” or the “Lessor”) with respect to 552 unpatented lode mining claims situated in Elko County, Nevada, and known as the Silver Cloud Project (the “Property”). The Lease affords Blackrock all rights and privileges incidental to ownership, including rights to explore, develop, and mine the Property. The term of the Lease is 10 years from October 27, 2017, and so long thereafter as: a) exploration and/or development is taking place on the Property; and/or b) the Property is held by Blackrock or its successors and assigns, unless earlier terminated in accordance with the terms of the Lease. In June 2019, the Company completed negotiations to amend the Lease terms and conditions with the underlying owner. The amended Lease provides for lower up-front payments, a reduction of the NSR through a buyout, and a purchase option for the Property.

5) EXPLORATION AND EVALUATION ASSETS – Continued

Pursuant to the original Lease, to acquire and maintain the Lease in good standing, Blackrock:

(a) reimbursed the Lessor US$92,308 for the 2017 Bureau of Land Management ("BLM") fees;
(b) paid US$100,000 and issued 1,000,000 common shares of the Company to the Lessor at a price of $0.13 per share;
(c) paid US$100,000 in lease payments to the Lessor for year 1;
(d) must perform a minimum total of 15,000 feet of drilling on the Property during the first 3 years of the term of the Lease;
(e) must drill an additional 90,000 feet from years four to nine and 20,000 feet each subsequent year;
(f) must pay all BLM permit costs. The Company paid BLM fees of US$91,080 in 2019 and US$92,544 in 2018. The next BLM payment in the amount of US$92,544 is due on or before July 15, 2020; and
(g) must make additional payments to the Lessor of US$100,000 in year 2, US$150,000 in year 3, US$200,000 in year 4, US$250,000 in year 5, US$500,000 in year 6, US$750,000 in year 7 and US$1,500,000 per year starting in year 8.

Pursuant to the amending agreement:

(i) The Company must make the following cash payments:

i. 2nd Anniversary of the Effective Date October 27, 2019, US$75,000 (paid);
ii. 3rd Anniversary of the Effective Date October 27, 2020, US$100,000;
iii. 4th Anniversary of the Effective Date October 27, 2021, US$150,000;
iv. 5th Anniversary of the Effective Date October 27, 2022, US$200,000;
v. 6th Anniversary of the Effective date October 27, 2023, US$500,000;
vi. 7th Anniversary of the Effective date October 27, 2024, US$750,000; and
vii. 8th Anniversary of the Effective date and all subsequent anniversaries the Lease is in effect, US$1,500,000.

The Company is committed to and must pay all minimum payments up to and including the October 27, 2022 payment. The cash minimum payments will not be credited cumulatively against the Company's royalty payment obligations.

(ii) The Company must complete the following minimum drilling requirements:

i. 1st to 5th year of the Lease, 25,000 feet;
ii. 6th year of the Lease, 10,000 feet;
iii. 7th year of the Lease, 20,000 feet;
iv. 8th year of the Lease, 20,000 feet; and
v. 9th year of the Lease and each subsequent Lease year, 20,000 feet.

If the minimum drilling threshold is not achieved, the Company is subject to a penalty of US$50 per foot of undrilled footage.

(iii) The Company was granted the sole and exclusive option to purchase and own 100% of the Property for a total purchase price of US$3,500,000 on or before October 27, 2023. Exercising the purchase option will terminate the Company's obligation with respect to making any further cash payments and the only further payment obligation is the royalty. If the option to purchase is exercised, the exploration drilling commitment or drilling escape payment obligations remain in effect. If the Company elects to exercise the purchase option after October 27, 2023, it will have to pay a total purchase price of US$5,000,000 and will be obligated to pay all minimum payments and any and all related financial obligations.

(Expressed in Canadian dollars)

5) EXPLORATION AND EVALUATION ASSETS – Continued

(iv) The Company will pay Pescio a non-participating royalty of 3.5% based on the gross value from the production or sale of minerals from the Property and any area of interest acquired interests. The royalty percentage, as a whole, is made subject to a buy-down option of 3.5% representing 1% of the gross value for a total of US$3,000,000 at any time within the first five years.

On July 11, 2019, the Company, through its US subsidiary Blackrock Gold Corp., entered into a purchase agreement for 20 unpatented mining claims located immediately adjacent to the western boundary of the Property. These unpatented lode mining claims, collectively known as the West Silver Cloud property, extend the Property westward from the Northwest Canyon target. The Company:

(i) Paid US$5,000 upon closing of the transaction;
(ii) Issued 150,000 common shares of the Company; and
(iii) Issued 50,000 common share purchase warrants exercisable for a period of 3 years with an exercise price of $0.20 per common share.

The Property is subject to a production royalty equal to one-half a percent (0.5%) of the net smelter returns. The Company has the right to purchase the royalty at any time for US$500,000.

NEVADA – Silver Cloud	October 31, 2018	Net Additions	**October 31, 2019**
Acquisition and holding	$ 661,898	$ 160,092	**$ 821,990**
Geology and consulting	49,573	94,990	**144,563**
Drilling and exploration	-	657,112	**657,112**
TOTAL	$ 711,471	$ 912,194	**$ 1,623,665**

The acquisition cost and exploration and evaluation expenditures relating to the West Silver Cloud property have been included with those of the Property.

<u>CANADA - Moore Property</u>
During the year ended October 31, 2017, the Company wrote off all costs related to this project as management has no plans to complete any additional work on the property. The 24 claims will be allowed to lapse as they come due between 2020 and 2021.

(Expressed in Canadian dollars)

6) LOANS PAYABLE

Loans payable at October 31, 2019 and 2018 is comprised of the following:

		2019		2018
Related parties:				
Principal (i, iv, v)	**$**	**81,364**	$	105,478
Principal (iii, iv)		**32,860**		-
Interest		**17,212**		10,628
Repayment (vi)		**-**		(26,888)
		131,436		89,218
Arm's length:				
Principal (ii, iv, v)		**21,463**		19,983
Interest		**1,209**		1,480
Repayment (ii)		**(22,672)**		-
		-		21,463
Total	**$**	**131,436**	$	110,681

(i) On November 10, and 14, 2017, the Company entered into loan agreements with two directors of the Company to borrow a total of $81,364 for a period of one year. Of this amount, $40,308 was a non-interest-bearing advance at October 31, 2017 that was converted into a loan. As further consideration for advancing the loans, the Company issued a total of 1,162,273 bonus warrants to the directors exercisable at a price of $0.07 per share for a period of 12 months. The warrants subsequently expired unexercised. These loans were extended for an additional six-month term expiring on May 10 and 14, 2019 and have not been further extended. The number of bonus warrants to be issued with respect to the extension agreements has not yet been determined.

(ii) On November 27, 2017, the Company entered into a loan agreement with an arms-length party to borrow $19,983. As further consideration for advancing the loan, the Company issued 285,714 bonus warrants to the lender exercisable at a price of $0.07 per share for a period of 12 months. The warrants subsequently expired unexercised. The principal balance of $19,983, and interest of $2,689, was repaid during the year.

(iii) On January 14, 2019, the Company entered into a loan agreement with a director of the Company to borrow a total of $32,860 (US$25,000) for a period of one year. The number of bonus warrants to be issued with respect to this loan agreement have not yet been determined and the bonus warrants have not been issued.

(iv) These loans are unsecured and bear interest at 8% per annum with interest accruing and payable at maturity. Principal and all accrued and unpaid interest is payable in full on maturity or upon demand after six months and can be prepaid in full or in part at any time without penalty. Overdue principal and accrued interest bear interest at 8% per annum.

(v) Loan agreements that include bonus warrants are considered to be a compound financial instrument with the liability and equity component being classified separately in the consolidated statements of financial position on the date of issuance. The fair value of the liability component is determined first, with the residual value, if any, being allocated to the equity component. At the time of issuance, the fair value of the liability component was determined not to be materially different from the loan proceeds. Accordingly, no amount has been allocated to the equity component.

(vi) The principal balance of $24,114 and interest of $2,774 was repaid during 2018.

See Note 8.

7) SHARE CAPITAL

a) Authorized
The authorized share capital of the Company consists of unlimited common shares without par value.

b) Issued
During the year ended October 31, 2019, the Company issued the following common shares:

(i) On June 17, 2019, the Company closed the non-brokered private placement (the "Private Placement") of 6,000,000 units (the "Units") at a price of $0.10 per unit, for gross proceeds of $600,000. Each Unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of $0.16 per share, until June 17, 2022. Finder fees of 7% were paid on a portion of the Private Placement to PI Financial Corp. ($ 3,360) and Haywood Securities Inc. ($1,400).
(ii) On July 11, 2019, the Company issued 150,000 common shares as part of its acquisition of 20 mining claims directly adjacent to its Silver Cloud Project on the Northern Nevada Rift in Elko County, Nevada (Note 5).
(iii) On September 6, 2019, the Company closed the non-brokered private placement (the "Private Placement") of 6,380,125 units (the "Units") at a price of $0.16 per unit, for gross proceeds of $1,020,820. Each Unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of $0.25 per share, until September 6, 2022. Finder fees of 6% were paid on a portion of the Private Placement totaling $6,355. Andrew Pollard, current CEO, acquired 1,000,000 units as part of the financing.
(iv) During the year, there were a total of 650,000 share options exercised, ranging in exercise prices from $0.05 to $0.12 per common share. The Company received total proceeds of $55,500 from the exercise of the share purchase options. A total of $50,710 was transferred from reserves to share capital, representing the fair value of the share options exercised during the year.
(v) During the year, there were a total of 4,527,500 share purchase warrants exercised, ranging in exercise prices from $0.10 to $0.20 per common share. The Company received total proceeds of $623,500 from the exercise of the share purchase warrants.

During the year ended October 31, 2018, the Company issued the following common shares:

(i) On March 14, 2018, the Company issued 12,810,000 Units at a price of $0.10 per Unit for gross proceeds of $1,281,000. Each Unit is comprised of one common share and one half of one share purchase warrant. Each full warrant entitles the holder to acquire one additional share in the capital of the Company at a price of $0.20 until March 14, 2020. Finder fees of 7% were paid to PI Financial Corp. ($9,450) and Haywood Securities ($1,750) and additional share issue costs totalling $31,500 were paid. The following insiders of the Company acquired an aggregate of 5,970,000 Units: Belgravia Capital International Inc. (5,280,000 Units), Deepak Malhotra (250,000 Units), Alan Carter (250,000 Units), and Gregory Schifrin (190,000 Units).
(ii) On March 21, 2018, pursuant to the terms of the Lease with Pescio, the Company issued 1,000,000 common shares of the Company to Pescio at a price of $0.13 per share for a value of $130,000. The Company paid a finder's fee to David Sidder of Bermuda of 200,000 common shares of the Company at a price of $0.13 per share for a value of $26,000. See Note 5.
(iii) On April 4, 2018, the Company issued 400,000 common shares at a price of $0.10 per share to settle accounts payable of $40,000.
(iv) On May 3, 2018, the Company issued 140,000 common shares pursuant to the exercise of options for cash proceeds of $12,600.

(Expressed in Canadian dollars)

7) SHARE CAPITAL – Continued

b) Issued – continued

(v) On October 23, 2018, the Company issued 6,000,000 Units at a price of $0.05 per Unit for gross proceeds of $300,000. Each Unit is comprised of one common share and one half of one share purchase warrant. Each full warrant entitles the holder to acquire one share of the Company at a price of $0.10 until October 23, 2020. The following insiders of the Company acquired an aggregate of 4,700,000 Units: Belgravia Capital International Inc. (3,000,000 Units), Deepak Malhotra (1,000,000 Units), Alan Carter (500,000 Units), and Gregory Schifrin (200,000 Units)

c) Share purchase options
The Company adopted an incentive stock option plan ("the Plan") which provides that the number of shares issuable under the plan may not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Plan may have a maximum term of 10 years. The exercise price of options granted under the Plan may not be less than the discounted market price of the shares on grant date, or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange.

The continuity of share purchase options for the year ended October 31, 2019 and 2018 is as follows:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Balance, beginning of the year	**4,050,000**	**0.09**	990,000	0.09
Granted	**3,765,000**	**0.17**	3,400,000	0.09
Exercised	**(650,000)**	**0.09**	(140,000)	0.09
Expired/Cancelled	**(1,500,000)**	**0.12**	(200,000)	0.075
Outstanding and Exercisable, end of the year	**5,665,000**	**0.14**	4,050,000	0.09

The options have a weighted average life of 3.64 (2018 - 3.30) years.

(Expressed in Canadian dollars)

7) SHARE CAPITAL – Continued

c) Share purchase options – continued

Expiry Date	Number of Options	Exercise Price
		$
November 10, 2019 (i)	1,000,000	0.05
August 25, 2021	200,000	0.09
May 2, 2023	500,000	0.12
October 30, 2023	200,000	0.05
May 14, 2024	750,000	0.05
May 21, 2024	500,000	0.05
May 28, 2024	240,000	0.06
June 19, 2024	700,000	0.10
September 10, 2024	1,575,000	0.31

(i) These options were issued to the former President of the Company's subsidiary with an expiry date of October 29, 2023. Due to his unexpected death, the expiry date was accelerated to November 10, 2019. The share purchase options were exercised subsequent to year-end.

The fair value of the share-based payments expense for the years ended October 31, 2019, and 2018 as determined by the Black-Scholes option pricing model was estimated using the following assumptions:

	2019 (weighted average)	2018 (weighted average)
Risk-free interest rate	**1.45%**	2.37%
Expected annual volatility	**135.33%**	113.8%
Expected life (years)	**5**	5
Dividend yield	**0%**	0%

The weighted average grant date fair value per option was $0.151 (2018 - $0.091).

d) Warrants

The continuity of warrants for the year ended October 31, 2019 and 2018 is as follows:

	2019		2018	
	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
		$		$
Balance, beginning of the year	**16,304,653**	**0.15**	16,363,664	0.15
Issued	**6,240,063**	**0.21**	10,852,987	0.15
Exercised	**(4,527,500)**	**0.14**	-	-
Expired	**(6,899,653)**	**0.13**	(10,911,998)	0.15
Outstanding, end of the year	**11,117,563**	**0.20**	16,304,653	0.15

The warrants have a weighted average life of 1.68 (2018 - 1.01) years.

(Expressed in Canadian dollars)

7) SHARE CAPITAL – Continued

d) Warrants – continued

Expiry Date	Number of Warrants	Exercise Price
		$
March 14, 2020 (i)	4,802,500	0.20
October 23, 2020 (ii)	250,000	0.10
June 17, 2022	2,825,000	0.16
July 11, 2022	50,000	0.20
September 6, 2022	3,190,063	0.25

(i) If during the exercise period of the warrants, but after the resale restrictions on the shares have expired, the Company's shares trade at or above a weighted average trading price of $0.40 per share for 15 consecutive trading days, the Company may accelerate the expiry time of the warrants by giving written notice to warrant holders that the warrants will expire 30 days from the date of providing such notice.
(ii) As for (i) except $0.20 per share.

8) RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount agreed to by the related parties.

As at October 31, 2019, the Company owed $99,439 (October 31, 2018 - $45,264) to related parties as follows:

(i) $37,332 (2018 - $Nil) in management fees and $658 (2018 - $Nil) in administration fees to a company controlled by the current chairman of the board;
(ii) $7,896 (2018 - $Nil) in management fees to the former President of the Company;
(iii) $8,250 (2018 - $Nil) in management fees to a company controlled by the current CFO;
(iv) $Nil (2018 - $32,791) to a company controlled by a former CEO of the Company for consulting fees;
(v) $45,303(2018 - $9,857) to the former CEO of the Company for management fees; and
(vi) $Nil (2018 - $2,616) to the former interim CEO of the Company for salary.

During the year ended October 31, 2019, the Company incurred interest expense of $9,358 (2018 - $8,461) on loans payable to directors of the Company and issued Nil (2018 - 1,162,273) bonus warrants in respect of these loans (see Note 6).

1,000,000 (2018 - 10,670,000) of the Units issued by the Company in 2019 were issued to insiders of the Company (see Note 7).

Key management compensation
During the year ended October 31, 2019, the Company paid or accrued compensation to key management, or companies controlled by them, totalling $331,355 (2018 - $355,325). Of this amount:

(i) $19,279 (2018 - $87,000) for salary to the former interim CEO and corporate secretary of the Company;
(ii) $11,000 (2018 - $15,000) in management fees to a company controlled by the current CFO;
(iii) $1,836 (2018 - $Nil) in admin fees to the former Director of the Company;
(iv) $138,239 (2018 - $Nil) in management fees and $4,659 (2018 - $Nil) in administration fees to a company controlled by the current chairman of the board;
(v) $110,000 (2018 - $Nil) in management fees to a company controlled by the CEO;

8) RELATED PARTY TRANSACTIONS – Continued

(vi) $3,000 (2018 - $Nil) in management fees to the former CFO of the Company;
(vii) $35,446 (2018 - $102,478) in management fees to the former CEO of the Company; and
(viii) $7,896 (2018 - $32,791) in management fees to the former CEO of the Company's subsidiary.

During the year ended October 31, 2019, $566,979 (2018 - $297,000) in share-based payments was in respect of officers and directors of the Company.

On October 1, 2019, the Company entered into a consulting agreement with a company whereby the company's director was retained to perform executive, technical, managerial and consulting services as directed by the Company's Board of Directors (the "Board"), to act as executive chair of the Company, to serve as a director of the Company and to hold such additional offices to which he may be appointed by the Company or any subsidiary of the Company. The agreement is effective September 1, 2019 for a term of one year with automatic renewals of consecutive one-year terms. Pursuant to the agreement, the consultant will receive a consulting fee at the base rate of US$144,000 per annum, payable in equal monthly instalments of US$12,000.

On October 1, 2019, the Company entered into a consulting agreement with a company whereby the company's president was retained to perform executive, managerial and consulting services as directed by the Company's Board, to act as president and chief executive officer of the Company, to serve as a director of the Company and to hold such additional offices to which he may be appointed by the Company or any subsidiary of the Company. The agreement is effective October 1, 2019 for a term of one year with automatic renewals of consecutive one-year terms. Pursuant to the agreement, the consultant will receive a consulting fee at the base rate of $180,000 per annum, payable in equal monthly instalments of $15,000.

Pursuant to the agreements:

(i) The annual base rates are subject to increase at the Board's discretion;
(ii) The consultants are entitled to receive an annual bonus as determined at the Board's discretion;
(iii) The consultants are entitled to participate in the Company's stock option plan;
(iv) The consultants may terminate the agreements upon three months written notice and will receive a termination payment equal to the then applicable base rate per annum if terminated for other than cause; and
(v) If at any time during the term of the agreements there is a change of control (as defined) and the contracts are terminated within six months of the date of change of control, the consultants will receive an amount equal to two times both the then applicable base rate and any bonus paid or payable in respect of the Company's most recently completed financial year.

On November 1, 2019, the Company entered into an employment contract with its corporate secretary for a term of one year with automatic renewals. Pursuant to the agreement, the corporate secretary will:

(i) Receive a severance benefit equal to three times his current monthly salary, which shall increase by one month per year to a maximum of six months. In addition, his coverage under employee benefit programs will continue for an equal period of time unless the Company elects to pay a lump sum cash payment equal to the projected cost of maintaining him in such programs in lieu; and
(ii) If at any time during the term of the agreement there is a change of control (as defined) and his employment is terminated within six months of the date of change of control, he will receive an amount equal to six times his current monthly salary, which will increase by one month per year to a maximum of 12 months and benefits for the same period in lieu of notice, severance, damages or other payments.

(Expressed in Canadian dollars)

9) INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery for the years ended October 31, 2019 and 2018 is as follows:

		2019		2018
Net loss for the year	**$**	**1,693,724**	$	1,148,042
Effective statutory rate		**27.00%**		26.83%
Expected income tax recovery		**457,305**		308,058
Net effect of deductible and non-deductible amounts		**(150,857)**		(71,573)
Change in valuation allowance		**(306,448)**		(236,485)
	$	**-**	$	-

The significant components of the Company's deferred income tax assets at October 31, 2019 and 2018 are as follows:

		2019		2018
Deferred tax assets:				
Exploration and evaluation assets	**$**	**761,396**	$	761,396
Non-capital loss carry-forwards		**4,232,000**		2,780,000
Capital loss carry-forwards		**409,611**		409,611
Equipment		**16,112**		16,112
Share issue costs		**44,542**		52,925
Total deferred tax assets	**$**	**5,463,661**	$	4,020,044

The Company did not realize the deferred tax asset for the year ended October 31, 2019 as it was unlikely to be realized.

(Expressed in Canadian dollars)

9) INCOME TAXES – Continued

The Company has non-capital losses of approximately $4,220,000 expiring in stages to 2039 as follows:

Expiry date		Non-capital losses
2026	$	213,000
2027		99,000
2028		91,000
2029		-
2030		73,000
2031		114,000
2032		56,000
2033		67,000
2034		86,000
2035		54,000
2036		356,000
2037		715,000
2038		1,164,000
2039		1,132,000
	$	4,220,000

The Company has Canadian resource pools of approximately $1,476,000 and capital losses of approximately $819,000 at October 31, 2019.

10) CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its projects. In the management of capital, the Company includes the components of shareholders' equity, as well as cash and cash equivalents. There are no external restrictions on the use of the Company's capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets, and its ability to compete for investment or support of its projects.

11) FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Financial instruments

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

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

Cash is measured using Level 1. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the year, there were no transfers between Level 1, Level 2 and Level 3 classified assets and liabilities.

The Company's financial instruments are exposed to certain financial risks, including the following:

Financial risk factors

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 primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with two major banks in Canada. As most of the Company's cash is held by three banks, there is a concentration of credit risk. This risk is managed by using major banks that are high credit, quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining a sufficient cash balance. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at October 31, 2019, the Company had cash of $878,066 to settle current liabilities of $575,740. The Company is subject to significant liquidity risk.

Foreign currency risk

The Company's functional currency is the Canadian dollar; however, there are expenses, assets, and liabilities in US dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. As at October 31, 2019, the Company had cash balances of US$457,992 (2018 – US$2,517), loans payable of US$26,617 (2018 – US$Nil), and accounts payable and accrued liabilities of US$247,365 (2018 – US$25,000). The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

12) COMMITMENTS AND CONTINGENCIES

Commitments related to the Property are disclosed in Note 5. The Company has no other commitments that extend more than 12 months into the future.

The Company has corporate credit cards with limits totalling $30,000. The guaranteed investment certificate ("GIC") is being held as security for the credit cards by the bank. The GIC matures on October 21, 2020 and has an interest rate of 1%.

Also see Note 8.

13) SUBSEQUENT EVENTS

The following transactions occurred subsequent to the year-end:

(i) Between November 1, 2019 and February 28, 2020, the Company received proceeds of $198,000 from the exercise of 965,000 warrants and 1,540,000 options.

(ii) On January 30, 2020, the Company closed the first tranche of the non-brokered private placement previously announced on January 10, 2020. In connection with the first tranche closing, the Company issued a total of 2,685,000 units of the Company at a price of $0.20 per unit for gross proceeds of $537,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.30 until January 30, 2022. On closing, the Company paid a cash commission of $1,200, representing 6% of the proceeds raised in respect of a portion of the private placement.

Certain directors, officers and other insiders of the Company purchased or acquired direction and control over a total of 2,100,000 units under the first tranche of the private placement. These subscriptions constituted “related party transactions” with the Company under applicable securities regulatory rules and policies. The subscribers contributed $420,000 of the gross proceeds.

(iii) On February 13, 2020, the Company closed the final tranche of the non-brokered private placement. In connection with the closing of the final tranche, the Company issued a total of 3,512,065 units of the Company at a price of $0.20 per unit for gross proceeds of $702,413. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.30 until February 13, 2022. On closing, the Company paid a cash commission of $13,500, representing 6% of the proceeds raised in respect of a portion of the private placement.

The common shares and warrants issued in connection with the final tranche of the private placement and the common shares issuable upon exercise of warrants are subject to a hold period expiring June 14, 2020. The private placement was approved by the TSX Venture Exchange on February 18, 2020.

Also see Note 8.

(iv) On February 24, 2020, the Company, through its US subsidiary Blackrock Gold Corp., (the “optionee”) entered into an option agreement (the “Agreement”) pursuant to which it was granted the sole and exclusive right and option to purchase 100% of 17 unpatented and 97 patented mining claims, existing data and all appurtenances, easements, improvements, rights-of-way and other real property rights relating to such claims (collectively, the “Property”) and any additional data, information and records regarding the property acquired by the optionor during the option period for a total purchase price of US$3,000,000. The option will remain in force during the term of the Agreement from the effective date to and including the first to occur of (a) the optionee’s exercise and closing of the option; (b) the termination of the Agreement; or (c) four years from the Initial Closing Date. Pursuant to the Agreement, the optionee must pay all mining claim maintenance and rental fees and pay the purchase price by making the following cash option payments:

i. On Initial Closing Date, US$325,000;
ii. 1st Anniversary of the Initial Closing Date, US$325,000;
iii. 2nd Anniversary of the Initial Closing Date, US$650,000;
iv. 3rd Anniversary of the Initial Closing Date, US$700,000; and
v. 4th Anniversary of the Initial Closing Date, US$1,000,000.

13) SUBSEQUENT EVENTS – Continued

If the option is exercised, the optionor will be granted a 3% net smelter returns mineral production royalty in respect of all products produced from the claims. During the option period and following the option exercise if the option is closed and unless otherwise agreed to by the parties, if either party or an affiliate acquires, directly or indirectly, any additional mining claims, located wholly or partly within the after-acquired interest ("AOI"), the AOI will be included in and form part of the Property and will be subject to the Agreement. If any unpatented mining claims or other property interests are or become subject to any third-party royalty or other royalty obligations that existed prior to closing, the royalty will be reduced so that the total royalty percentage on each of the mining claims or real property interests comprising the Property does not exceed 3%.

The optionee can terminate the Agreement by providing written notice and will have no obligation to make any further option payments.