HEATHERDALE RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
OCTOBER 31, 2020 and 2019

(Expressed in United States Dollars, unless otherwise stated)

DeVISSER GRAY LLP
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Independent Auditor's Report

To the Shareholders of Heatherdale Resources Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Heatherdale Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity (deficiency) 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 the Company as at October 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of operating revenue, has accumulated significant losses as at October 31, 2020 and is dependent upon the future receipt of equity financing to maintain its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 audits of the consolidated 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.

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is James D. Gray.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
March 1, 2021

Heatherdale Resources Ltd.

Consolidated Statements of Financial Position

(Expressed in United States Dollars)

	Notes	**October 31 2020**	October 31 2019
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,548,027	$ 8,320
Amounts receivable and prepaid expenses	4	66,690	39,170
Total current assets		3,614,717	47,490
Exploration and evaluation assets	5	50,053	33,372
Restricted cash	3(b)	736,417	733,017
Total Assets		**$ 4,401,187**	**$ 813,879**
LIABILITIES			
Current Liabilities			
Trade and other payables		759,996	$ 100,953
Payables to related parties	6	60,484	3,208,619
Total current liabilities		820,480	3,309,572
Provision for rehabilitation obligation	9	1,268,312	1,268,312
Total liabilities		2,088,792	4,577,884
EQUITY (DEFICIENCY)			
Share capital	10(a)	57,132,487	50,189,012
Reserves		4,327,202	4,044,829
Accumulated deficit		(59,147,294)	(57,997,846)
Total Equity/(Deficiency)		2,312,395	(3,764,005)
Total Equity and Liabilities		**$ 4,401,187**	**$ 813,879**

Continuance of operations and going concern (Note 1)

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

The consolidated financial statements are signed on the Company's behalf by:

/s/ Jessica Van Den Akker	*/s/ Ron Stewart*
Jessica Van Den Akker Director	Ron Stewart Director

Heatherdale Resources Ltd.

Consolidated Statements of Comprehensive Loss

(Expressed in United States Dollars)

	Notes	Year ended October 31 2020	2019
Expenses			
Exploration and evaluation expenses	5, 6	$ 465,837	$ 226,100
Management fees, director fees, wages and benefits	6	358,499	112,962
Office and other		123,793	72,401
Professional services		86,222	19,953
Regulatory		39,440	15,433
Marketing and investor relations		71,965	5,223
Travel		–	4,651
Share-based compensation	10(f)	177,329	–
		1,323,085	456,723
Other income/expenses			
Foreign exchange loss (gain)		(9,500)	1,177
Finance income		(5,774)	(14,300)
Other income		(20,852)	(15,064)
Gain on settlement of related party payables	6(a)	(446,984)	–
Loss on settlement of convertible debenture	7(b)	309,473	–
Gain on derivative financial liabilities	9		(75,516)
Loss on convertible loans	7(a)	–	3,905
Derecognition on modification of convertible loans	7(a)	–	(5,892)
Loss and comprehensive loss		**$ 1,149,448**	**$ 351,033**
Basic and diluted loss per common share		$ 0.10	$ 0.05
Weighted average number of common shares outstanding		11,400,366	7,331,870

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

Heatherdale Resources Ltd.
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

		Year ended October 31	
	Notes	**2020**	2019
Operating activities			
Loss for the year		$ (1,149,448)	$ (351,033)
Non-cash or non operating items:			
Depreciation		10,011	14,305
Stock based compensation		177,329	–
Derecognition on modification of convertible loans		–	(5,892)
Finance income		(5,774)	(14,300)
Foreign exchange loss (gain)		(112,657)	1,161
Gain on settlement of related party payables		(446,984)	–
Loss on settlement of convertible debenture		309,473	–
Loss on convertible loans		–	3,905
Gain on derivative financial liabilities		–	(75,516)
Changes in non-cash working capital items:			
Amounts receivable and prepaid expenses		(27,555)	(1,261)
Trade and other payables		567,217	47,887
Payables to related parties		65,778	307,399
Net cash used in operating activities		(612,610)	(73,345)
Investing activities			
Interest received		2,374	895
Purchase of plant and equipment		(26,692)	–
Net cash from/(used) investing activities		(24,318)	895
Financing activities			
Proceeds from private placement financing		4,462,194	–
Share issue costs		(240,481)	–
Net cash from financing activities		4,221,713	–
Net decrease in cash and cash equivalents		3,584,785	(72,450)
Effect of exchange rate fluctuations on cash held		(45,078)	(331)
		3,539,707	(72,781)
Cash and cash equivalents - beginning balance		8,320	81,101
Cash and cash equivalents - ending balance		**$ 3,548,027**	**$ 8,320**

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

Heatherdale Resources Ltd.

Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in United States Dollars except for share information)

	Share capital								
	Number of common shares (Note 2(d))		Amount		Equity settled share-based payments reserve		Accumulated deficit		Total equity (deficiency)
Balance at November 1, 2018	7,331,870	$	50,189,012	$	4,044,829	$	(57,646,813)	$	(3,412,972)
Loss and comprehensive loss	–		–		–		(351,033)		(351,033)
Balance at October 31, 2019	**7,331,870**	**$**	**50,189,012**	**$**	**4,044,829**	**$**	**(57,997,846)**	**$**	**(3,764,005)**
Balance at November 1, 2019	7,331,870	$	50,189,012	$	4,044,829	$	(57,997,846)	$	(3,764,005)
Shares issued pursuant to debt settlement agreement	7,007,977		2,517,333		–		–		2,517,333
Share issuance costs			(12,775)		–		–		(12,775)
Shares returned to treasury	(600,000)		(309,473)		–		–		(309,473)
Shares issued pursuant for Sino Canada settlement	1,200,000		618,946		–		–		618,946
Share issuance costs	–		(14,671)		–		–		(14,671)
Shares issued pursuant to private placement	7,275,000		4,462,194		–		–		4,462,194
Share issuance costs	–		(318,079)		105,044		–		(213,035)
Share based compensation	–		–		177,329		–		177,329
Loss and comprehensive loss	–		–		–		(1,149,448)		(1,149,448)
Balance at October 31, 2020	**22,214,847**	**$**	**57,132,487**	**$**	**4,327,202**	**$**	**(59,147,294)**	**$**	**2,312,395**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Heatherdale Resources Ltd. (the "Company" or "Heatherdale") was incorporated under the laws of the Province of Alberta, Canada on November 6, 2007 and continued under the laws of the Province of British Columbia, Canada on November 16, 2009. The Company's corporate office is located at Suite 1800 – 555 Burrard Street, Vancouver, British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "HTR".

The Company's principal mineral property interest is its 100% owned Niblack copper–gold–zinc-silver project in southeast Alaska (the "Niblack Project"). The Company is in the process of exploring the Niblack Project and has yet to determine if the project contains economically recoverable mineral reserves. The Company's continuing operations and the underlying value of the Niblack Project are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the Niblack Project, obtaining the necessary permits to mine, future profitable production from any mine, and proceeds from the disposition of the project. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

As of October 31, 2020, the Company has no source of operating revenue and has accumulated significant losses since inception. The Company is continually seeking opportunities for additional funding and expects to raise funds from equity-based sources on terms which are acceptable to it to carry out planned operations for 2021. However, there can be no assurance that the Company will obtain such financial resources or achieve positive cash flows in the future.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"s), effective for the Company's reporting for the year ended October 31, 2020.

The Board of Directors of the Company authorized these consolidated financial statements for issuance on March 1, 2021.

(b) Basis of Preparation

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting, except for cash flow information and for the revaluation of convertible and derivative financial liabilities at fair value through profit or loss.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with the exception to the change to accounting policies noted below. Certain figures in the prior year have been reclassified to conform to current year presentation.

(Expressed in United States dollars, unless stated otherwise)

(c) Changes in Accounting Standards

IFRS 16, Leases ("IFRS 16")

On November 1, 2019, the Company adopted IFRS 16, which replaces IAS 17, Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces a single, on-balance sheet accounting model requiring the recognition of right-of-use assets ("ROU assets") and lease liabilities for all leases, with limited exceptions for short-term leases (twelve months or less) or leases of low value assets.

IFRS 16 prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Company did not identify any agreement or contract that is or contains a lease and for which recognition under the standard would be required.

(d) Basis of Consolidation

These consolidated financial statements incorporate the accounts of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in full on consolidation.

At October 31, 2020 and 2019, the Company retained an ownership interest in the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Principal Activity	Ownership Interest
Heatherdale Holdings Ltd.	British Columbia, Canada	Holds interest in Niblack Holdings (US) Inc.	100%
Niblack Holdings (US) Inc.	Nevada, USA	Holds interest in Niblack Project LLC	100% (indirect)
Niblack Project LLC	Delaware, USA	Exploration of Niblack Project and has title to the Niblack claims	100% (indirect)

On November 22, 2019 and August 31, 2020, Heatherdale consolidated its issued and outstanding shares on the basis of five [5] pre-consolidated shares for one [1] post-consolidated share. Unless otherwise stated, all share, warrant and option and per share amounts in these consolidated financial statements have been adjusted to reflect the share consolidation.

(e) Foreign Currencies

The functional and presentation currency of the Company and its subsidiaries is the United States dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Gains and losses arising on translation are included in profit or loss for the year.

(f) Financial Instruments

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVTOCI") (debt / equity investment); or fair value through profit or loss ("FVTPL"). A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Classification of financial assets

Amortized cost

For a financial asset to be measured at amortized cost, it needs to meet both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets at amortized cost comprise of restricted cash, amounts receivable, and cash and cash equivalents.

Fair value through other comprehensive income ("FVTOCI")

For a debt investment is measured at FVTOCI, it needs to meet both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments at FTVOCI

On initial recognition, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI") provided it is not held for trading. This election is made on an investment-by-investment basis.

Fair Value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains, losses, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- probability that the borrower will enter bankruptcy or financial reorganization.

Financial Liabilities

Non-derivative financial liabilities

The Company's non-derivative financial liabilities comprise of trade and other payables and payables to related parties.

All financial liabilities that are not held for trading or designated as at FVTPL are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

The Company previously had warrant derivative financial liabilities ("DFL"s) (Note 8) and convertible financial instruments designated as financial liabilities at fair value through profit and loss (Note 8). The DFLs expired unexercised during the year and the terms of the convertible loans were amended such that the loans are no longer convertible.

Financial liabilities at FVTPL

The Company had until the beginning of the prior reporting period, convertible financial instruments, being the convertible loans (Note 8), designated as financial liabilities at FVTPL.

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated at FVTPL.

A financial liability at FVTPL is stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The transaction cost is expensed as incurred. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Fair value was determined in the manner described in Note 8.

(g) Significant Accounting Estimates and Judgments

Accounting Estimates

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 future periods if the revision affects both current and future periods. The most significant estimates in applying the Company consolidated financial statements include:

1) Determining the fair value of stock options or warrants using the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

Significant judgements

The preparation of these consolidated financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

1) Assessing whether there are any indicators of impairment. The Company regularly assesses whether there are facts and circumstances suggesting that the carrying amount of its exploration and evaluation assets ("E&E assets"), including site equipment, may exceed their recoverable amount. Determining whether to test for impairment requires the Company to use judgment regarding various industry-specific and other general indicators, including but not limited to, changes in the market, economic and legal environment in which the Company operates.

2) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

(h) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(i) Property, Plant and Equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method at various rates ranging from 10% - 30% per annum.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Residual values and estimated useful lives are reviewed at least annually.

(j) Impairment of Non-Financial Assets

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

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

(k) Share Capital and Warrants

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

When the Company issues units under a private placement comprising common shares and warrants with exercise prices denominated in currencies other than in the United States dollar, the warrants are classified and presented as derivative financial liabilities and measured at fair value. Any issuance cost is allocated to the components of the units in proportion to the allocation of the proceeds on initial recognition. The fair values of such warrants are determined using the Black-Scholes option-pricing model. At the end of each reporting period, the derivative financial liability is re-measured at fair value with changes in fair value recognized in profit and loss. Derivative financial liabilities have been disclosed in Note 8.

Warrants that are issued as payment for an agency fees or other transactions costs are accounted for as share-based payment.

The fair value of warrants exercised is reclassified to share capital.

(l) Income or Loss per Share

Basic and diluted income or loss per share data is calculated by dividing the income or loss attributable to common shareholders by the weighted average number of common shares outstanding and common shares to be issued during the period. Diluted income or loss per share is determined by adjusting the income loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, such as share purchase options granted to employees and share purchase warrants outstanding. The dilutive effect of options or warrants assumes that the proceeds to be received on the exercise of these instruments are applied to repurchase common shares at the average market price for the reporting period. Share purchase options and warrants are included in the calculation of dilutive earnings per share only to the extent that the market price of the common shares exceeds the exercise price of the share purchase options and warrants.

(m) Share-based Payment Transactions

The share purchase option ("option") plan allows Company employees and consultants to acquire common shares in Heatherdale. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal, tax purposes (direct employee), or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the share purchase options were granted. At the end of each financial reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

(n) Income Taxes

Any income tax on profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- goodwill not deductible for tax purposes;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(Expressed in United States dollars, unless stated otherwise)

(o) Restoration, Rehabilitation and Environmental Costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. The cost of any rehabilitation program is recognized at the time that the environmental disturbance occurs. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for, and capitalized at the start of each project to the carrying amount of the asset along with a corresponding liability, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect risks specific to the asset are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is adjusted each period for the unwinding of the discount rate, changes to the current market-based discount rate, and for the amount or timing of the underlying cash flows needed to settle the obligation.

(p) Segmental Reporting

The Company has a single reportable operating segment that incorporates the Niblack Project. All non-current assets are held in Alaska, USA.

3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in business and savings accounts held at major financial institutions, which are available on demand, by the Company.

(b) ***Restricted Cash***

	October 31 2020	October 31 2019
Comprises of:		
Cash collateral	$ 704,960	$ 704,960
Income earned and re-invested	27,557	24,157
Total [1]	732,517	729,117
Cash deposit [2]	3,900	3,900
	$ 736,417	**$ 733,017**

The total comprises of the following:

1. The cash collateral is held with a United States ("US") financial institution, which has been pledged to the surety provider of the surety bond accepted by the Alaskan regulatory authorities. It will be released once reclamation work has been performed and assessed by the Alaskan regulatory authorities. For the year total income of $27,557 (2019 – $24,157) has been recognized, which has been re-invested.

2. The cash deposit is held with the Alaskan regulatory authorities as a performance guarantee for additional reclamation work to be performed by the Company.

(Expressed in United States dollars, unless stated otherwise)

4. AMOUNTS RECEIVABLE AND OTHER PREPAID EXPENSES

	October 31 2020	October 31 2019
Sales tax receivable	$ 26,124	$ 5,449
Prepaid expenses	40,566	31,143
Other receivables	–	2,578
	$ 66,690	$ 39,170

5. EXPLORATION AND EVALUATION OF ASSETS

Niblack Project (Note 1)	**2020**	2019
Mineral property interests		
Nominal value - beginning and end balance	$ 1	$ 1
Plant and equipment		
Cost		
Beginning balance	255,565	255,565
Additions	26,692	–
Derecognized	–	–
End balance	282,257	255,565
Accumulated depreciation		
Beginning balance	222,194	207,889
Depreciation charge [2]	10,011	14,305
End balance	232,205	222,194
Net carrying value of site plant and equipment - end balance	50,052	33,371
Net carrying value of exploration and evaluation assets:		
Beginning balance	33,372	47,677
End balance	$ 50,053	$ 33,372

Notes

1. The Niblack Project, 100% owned by the Company, consists of the 6,200-acre Niblack property, located on Prince of Wales Island, some 27 miles from Ketchikan, Alaska and includes certain site plant and equipment assets.

   The Company will be required to make a one-time payment of Cdn$1,250,000 to an arm's length third party upon the earliest to occur of the commencement of commercial production, the Company holding less than 35% interest in the Niblack Project, or a change in control of Heatherdale in certain circumstances.

   The Company records all costs associated with the exploration and evaluation of mineral resources as expenses in profit or loss (Note 2(h)).

2. Depreciation has been recognized in exploration and evaluation expenses.

(Expressed in United States dollars, unless stated otherwise)

The Company believes that the aggregate recoverable amount of the Company's site equipment approximates their aggregate remaining carrying amount. The estimated recoverable amount of the site equipment is based on selling price, less cost to sell, which has been determined with reference to the prices of comparable items in active markets. The Company considers the Niblack Project as a single cash-generating unit and the recoverable amount of assets associated with the Niblack Project is determined on an aggregate basis.

Details of the exploration and evaluation expenses incurred are as follows:

	For the year ended October 31, 2020	For the year ended October 31, 2019
Claims maintenance	$ 54,057	$ 59,425
Project management & support	155,583	78,568
Site support	100,820	166
Depreciation	10,011	14,305
Fuel	42,041	–
Geology	18,721	11,657
Transport	45,981	–
Field travel	19,681	27,895
Environmental	11,383	17,945
Community Engagement	7,559	16,139
Total	$ 465,837	$ 226,100

6. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related Party Transactions

During the year ended October 31, 2020, the Company paid or accrued $45,448 (2019 – Nil) for office space to a private company controlled by a common director.

The Company formerly received services from and operated from the premises of Hunter Dickinson Inc. ("HDI") and its wholly-owned subsidiary HDSI that had directors in common. In addition, another former director of the Company, the former Chief Financial Officer and Corporate Secretary were employees of HDSI and worked for the Company under an employee secondment arrangement between the Company and HDSI.

(Expressed in United States dollars, unless stated otherwise)

For the years ended October 31, 2020 and 2019, the value of transactions (rounded to the nearest thousand dollars) involving HDSI was as follows:

		2020		2019
Services received based on annually set rates				
Accounting, corporate, legal, risk & compliance, tax and administration	$	90,000	$	94,000
Directors' fee		-		1,000
Office and other		16,000		19,000
Site services		22,000		36,000
Stakeholder communication		8,000		10,000
Technical services – geological		5,000		19,000
Total	$	141,000	$	179,000
Reimbursement of third party expenses paid by HDSI	$	30,000	$	42,000

Loans

On November 29, 2018, the Company consented to the Lender of the convertible loans (Note 7(a)) to transfer its rights under the first and second Loans, including interest accrued to that date to HDSI. The loans, including interest, amounted to $143,538. HDSI further amended the terms of the loans whereby with effect from November 29, 2018, the loans no longer bear interest and no longer have a conversion option. The outstanding loan balance was included in the related party payable to HDSI.

Debt Assignment and Settlement

In June 2020, the Company completed a debt assignment and settlement with certain arm's length's parties (the "Purchasers") pursuant to the terms of a debt assignment and settlement agreement dated June 3, 2020, among the Company, HDSI and the Purchasers (the "Transaction").

Pursuant to the Transaction, Cdn$4,025,367 owing to HDSI was assigned to the Purchasers and the Company issued 7,007,977 common shares to the Purchasers in settlement of Cdn$3,416,390 of outstanding debt. The residual Cdn$608,977 was forgiven by the Purchasers, resulting in a gain on settlement of the debt and was included in comprehensive loss for the period.

(b) Key Management Compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President & Chief Executive Officer, Chief Financial Officer, and appointed officers of the Company and Directors. For the year ended October 31, 2020, total key management compensation was $432,736 (2019 - $165,668) which includes management fees and salaries of $295,854 (2019 - $57,542) and share based compensation of $136,882 (2019- $Nil).

(Expressed in United States dollars, unless stated otherwise)

7. CONVERTIBLE FINANCIAL INSTRUMENTS

(a) Convertible Loans Transferred to Related Party and Terms Amended

On November 29, 2018, the rights to two convertible loans and interest accrued to that date were transferred to HDSI, a former related party, and the loans were amended such that they no longer bear interest nor convertible into common shares (Note 6).

Until the transfer and amendments discussed above, the convertible loans met the definition of derivative financial liabilities as no fixed number of common shares would be issued on conversion and the Company designated these hybrid financial instruments at FVTPL. The Company determined the fair value of the hybrid instruments using a combination of the discounted cash flow method and the Black-Scholes option pricing model as well as considering the probability of conversion by the Lender. To the date of modification, the Company recognized a loss on fair value on the convertible loans of $3,905. For the first loan of $60,000, the following assumptions were used: Cdn$0.03 valuation-date share price; 181% expected volatility; 2.16% risk-free interest rate; and 1.4 years remaining life. For the second loan of $50,000, no value was estimated using Black Scholes for the conversion option. On modification the Company recorded a gain of $5,892 on the derecognition of fair value as a result of reclassifying the loans to amortized cost and accordingly reclassifying $143,538 to payables to related parties.

The following is a reconciliation of the carrying value of the loans at the following reported dates:

	Year ended October 31 2019
Beginning balance	$ 145,525
Net increase in fair value	3,905
Derecognition of fair value	(5,892)
Reclassified to payables to related parties	143,538
Ending balance	$ –

(b) Convertible Debenture

On December 31, 2016, the Company exercised its option to redeem a Cdn$3,000,000 convertible debenture, which had matured (the "Debenture"), and pursuant to the terms of the debenture issued 600,000 common shares at the conversion price of Cdn$5.00 per Heatherdale Share. The Debenture was subscribed for and held by Sino-Canada Natural Resources Fund I ("Sino-Canada Fund").

On June 11, 2020, the Company completed a settlement agreement (“Settlement Agreement”) with Sino-Canada Fund resolving outstanding issues with respect to the Debenture. Pursuant to the Settlement Agreement, the Company issued 1,200,000 common shares and cancelled the prior issuance of 600,000 common shares of the Company to Sino-Canada Fund. The Company recognized a loss on settlement of $309,473.

(Expressed in United States dollars, unless stated otherwise)

8. DERIVATIVE FINANCIAL LIABILITIES

The following summarizes share purchase warrants (each warrant redeemable for one common share) at the beginning and end of the year:

Continuity of share purchase warrants	Number of shares subject to warrants outstanding	Weighted average exercise price
Balance November 1, 2018	1,142,554	Cdn$1.75
Expired	(1,142,554)	Cdn$1.75
Balance October 31, 2019	**–**	**–**

Until their expiry, the warrants were classified as derivative financial liabilities ("DFLs") as they had a Canadian dollar exercise price, which is not the functional currency of the Company, and so did not meet the definition of an equity instrument. The DFLs were recognized at fair value, which was estimated using the Black-Scholes option pricing model, on date of issue and at the end of each reporting period with changes in fair value recognized in loss (income) for the period.

The following table reconciles the change in fair value of the derivative financial liabilities for the year ended October 31, 2019

Continuity of fair value

	July 2017	February 2017	January 2017	Total
Balance November 1, 2018	$ 12,685	$ 42,101	$ 20,730	$ 75,516
Fair value change – gain	(12,685)	(42,101)	(20,730)	(75.516)
Balance October 31, 2019	**$ –**	**$ –**	**$ –**	**$ –**

9. PROVISION FOR REHABILITATION OBLIGATION

	October 31 2020	October 31 2019
Beginning balance	$ 1,268,312	$ 1,413,859
Decrease in provision	–	(145,547)
End balance	$ 1,268,312	$ 1,268,312

The Company's provision is based on the 2017 Niblack Reclamation and Closure Plan that was approved by the Alaska Department of Natural Resources (the "ADNR") in May 2018 for the restoration and rehabilitation of the Niblack Project site, including the underground workings. The settlement of the obligation is to occur upon closure of the mine site.

The Company has given the ADNR a cash deposit of $3,900 as a performance guarantee for additional reclamation work to be performed and has a surety bond from an insurance company in favour of the ADNR for the remainder of the obligation. Pursuant to the terms of the surety bond, the Company has provided to the surety provider cash collateral of $704,960, which has been classified as restricted cash and which as of October 31, 2020, increased by $27,575 as a result of income earned thereon. The Company will be required to fund the difference between the bond amount claimed and the total cash collateral amount in the account (Note 3(b)).

10. SHARE CAPITAL AND RESERVES

(a) Authorized Share Capital

At October 31, 2020 the authorized share capital consisted of an unlimited (2019 – unlimited) number of common shares without par value and an unlimited (2019 – unlimited) number of preferred shares with no par value. At October 31, 2020 and 2019, only common shares were issued and outstanding. All issued shares are fully paid.

(b) Share Issuances

For the year ended October 31, 2020

In June 2020, the Company completed the debt settlement with Sino-Canada Natural Resources Fund I ("Sino-Canada Fund") and issued 1,200,000 common shares of the Company to Sino-Canada Fund at a fair value of Cdn$0.70 in settlement of the Cdn$3,000,000 debt owing to Sino-Canada Fund (Note 7(b)). In connection with the debt settlement, the Company cancelled a prior void issuance of 600,000 common shares of the Company to Sino-Canada Fund. The Company paid or accrued $14,671 in fees related to the share issuance.

In June 2020, the Company issued 7,007,977 common shares of the Company at Cdn$0.4875 per share pursuant to debt assignment and settlement agreement for the settlement of debt of Cdn$3,416,390 (Note 6(a)). The Company paid or accrued $12,775 in fees related to the share issuance.

On August 31, 2020, the Company issued 7,275,000 common shares by private placement at a price of Cdn$0.80 per common share, for aggregate gross proceeds of Cdn$5,820,000. The Company paid finder's fees of $213,035 and issued 310,575 share purchase warrants (the "Finder's Warrants"). Each Finder Warrant is exercisable to acquire one common in the capital of the Company at an exercise price of Cdn$0.90 per common share until August 31, 2021. The finder's warrants have been recorded at a fair value of $105,044. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.33%, expected life of 1.0 years, expected volatility rate of 75.00% and a dividend rate of 0.00%.

(c) Share Option Plan

The Company has a share option plan to recognize contributions made and to create an incentive for the continuing assistance to the Company. The share option plan provides that the Board of Directors of the Company may from time to time, in their discretion, and in accordance with TSX-V requirements, grant to its directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issue does not exceed 10% of the number of then outstanding common shares. Such options can be exercisable for a maximum of ten years from the date of grant. The exercise price of each share option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts). Vesting of share options is at the discretion of the Board of Directors at the time the options are granted but typically vest over two years.

(Expressed in United States dollars, unless stated otherwise)

A summary of stock option transactions are summarized as follows:

	Number of options outstanding	Weighted average exercise price
Balance November 1, 2018 and 2019	–	–
Granted	1,760,000	Cdn$0.98
Balance October 31, 2020	1,760,000	**Cdn$0.98**

As of October 31, 2020, the following stocks options were outstanding:

Expiry Date	Number of options outstanding	Number of options exercisable	Weighted average exercise price
June 16, 2025	100,000	12,500	Cdn$0.80
June 30, 2025	60,000	7,500	Cdn$0.85
September 9, 2025	1,600,000	–	Cdn$1.00
	1,760,000	20,000	

(d) Deferred Share Units ("DSUs")

The Company has a DSU plan approved by the Company's shareholders in April 2018 that allows the Board, at its discretion, to award DSUs to non-executive directors for services rendered to the Company and also provides that non-executive directors may elect to receive up to 100% of their annual compensation in DSUs. The aggregate number of DSUs outstanding pursuant to the DSU plan may not exceed 400,000 common shares ("Shares") and that the total Shares issuable under all the Company's share-based compensation plans (i.e. the Company's Share Option and DSU Plans) does not exceed 10% of the total number of issued outstanding Shares. DSUs are payable when the non-executive director ceases to be a director including in the event of death. DSUs may be settled in Shares issued from treasury, by the delivery to the former director of Shares purchased by the Company in the open market, payment in cash, or any combination thereof, at the discretion of the Company.

During the year ended October 31, 2020, there were no grants of DSUs.

(e) Warrants

As of October 31, 2020, the Company has 310,575 Finder Warrants outstanding with an exercise price of CDN$0.80 and an expiry date of August 31, 2021.

(f) Share Based Compensation Expense

During the year ended October 31, 2020, a total of 1,760,000 stock options (2019 – Nil) at a weighted-average exercise price of Cdn$0.98 (2019 – Nil) were granted to officers, consultants, and directors exercisable for a period of five years with various terms over a three-year period. The weighted-average fair value attributable to options granted in 2020 was $0.45 (2019 – Ni).

(Expressed in United States dollars, unless stated otherwise)

The following weighted-average assumptions were used in the Black-Scholes valuation of stock options granted during the period:

	2020
Risk free interest rate	0.33%
Expected life of Option	5 years
Annualized volatility	75.00%
Dividend rate	0.00
Forfeiture rate	0.00

The Company recognized a share based compensation expense of $177,329 for the year ended October 31, 2020 (2019 – Nil). As of October 31, 2020, there were 1,740,000 non-vested options outstanding with a weighted average exercise price of CDN$0.98. The non-vested stock expense not yet recognized was $611,496. This expense is expected to be recognized over the next three years.

11. TAXATION

(a) Provision for current tax

No provision has been made for current income taxes, as the Company has no taxable income.

(b) Provision for deferred tax

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at October 31, 2020, the Company has unused non-capital loss carry forwards of approximately $17,725,000 (2019 – $17,057,000) in Canada and approximately $39,169,000 (2019 – $38,598,000) in the United States. In addition, the Company has approximately $540,000 (2019 – $493,000) of resource tax pools available, which may be used to shelter certain resource income in the United States and Canada.

The following provides a reconciliation of the Company's effective tax rate:

	Year ended October 31	
	2020	2019
		$
Loss for the period	$ (1,149,448)	(351,033)
Total income tax expense	–	–
Loss excluding income tax	(1,149,448)	(351,033)
Income tax (recovery) expense using the Company's domestic tax rate	(310,000)	(95,000)
Effect of tax rates in foreign jurisdictions	(8,000)	(5,000)
Non-deductible expenses	(84,000)	224,000
Change in unrecognized temporary differences	402,000	(124,000)
	$ –	$ –

The Company's domestic tax rate is 27.00% (2019 – 26.83%) and effective tax rate is Nil (2019 – Nil).

(Expressed in United States dollars, unless stated otherwise)

As at October 31, 2020, the Company had the following balances in respect of which no deferred tax asset was recognized:

Expiry	Net operating losses	Resource pools	Financing fees and other
Within one year	$ –	$ –	$ –
One to five years	–	–	206,000
After five years	57,399,000	–	267,000
No expiry date	–	540,000	–
	$ 57,399,000	$ 540,000	$ 473,000

12. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(a) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit loss for cash and restricted cash by placing its cash and restricted cash with high quality financial institutions. The credit for cash and restricted cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

(b) 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 tries to ensure, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account from cash flows from operations and the Company's holdings of cash. The Company has working capital of $2,794,237 as at October 31, 2020. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Expressed in United States dollars, unless stated otherwise)

Foreign Exchange Risk

In the normal course of business, the Company enters into transactions for the purchase of supplies and services denominated in a currency other than the functional currency of the Company. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Company has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

The exposure of the Company's Canadian dollar denominated financial assets and liabilities to foreign exchange risk is as follows:

	October 31 2020	October 31 2019
Financial assets		
Cash and cash equivalents	$ 3,480,115	$ 3,821
Amounts receivable	–	5,281
	3,480,115	9,102
Financial liabilities		
Trade and other payables	(84,445)	(27,171)
Payable to related parties	(382,874)	(3,075,681)
	(467,319)	(3,102,852)
Net working capital (deficiency) exposed to currency risk	$ 3,012,796	$ (3,093,750)

Based on the above net exposures and assuming all other variables remain constant, a 10% change in value of the Canadian dollar relative to the US dollar would result in a gain or loss of $301,000 (2019 – $309,000). This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

(d) Equity Management

The Company's policy is to maintain a strong equity base so as to maintain investor and creditor confidence and to sustain future development of the business. The equity structure of the Company comprises share capital and reserves, net of accumulated deficit. The Company manages its equity structure through the preparation of operating budgets, which are approved by the Board of Directors.

There were no changes in the Company's approach to equity management during the year.

The Company is not subject to any externally imposed equity requirements.

(e) Fair Value

The fair value of the Company's financial assets and liabilities approximate their carrying values.

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

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Fair value measurements which are determined by using valuation techniques are classified in their entirety as either Level 2 or Level 3 based on the lowest level input that is significant to the measurement.

The fair value measurement of the convertible loans prior to the amendments (Note 7(a)) and the derivative financial liabilities (Note 8) until their expiry were categorized within Level 2 of the hierarchy. Both were exposed to market risk as they employed the quoted market price of Heatherdale's Shares and foreign exchange rates.