

DISCOVERY HARBOUR RESOURCES CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of Discovery Harbour Resources Corp.

Opinion

We have audited the consolidated financial statements of Discovery Harbour Resources Corp. and its subsidiaries (the "Company") which comprise the consolidated statement of financial position as at September 30, 2019, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the Company has not generated revenue from operations since inception, has accumulated losses and expects to incur further losses in the development of its business. 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.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis filed with the relevant Canadian securities commissions.

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 identified above 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

Other Matter

The consolidated financial statements of the Company for the year ended September 30, 2018, which are presented for comparative purposes, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements in their report dated December 17, 2018.

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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
December 13, 2019

DISCOVERY HARBOUR RESOURCES CORP.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT SEPTEMBER 30, 2019 AND 2018****(Expressed in Canadian Dollars)**

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash		7,450	3,372
Term deposits	5	15,000	160,000
Amounts receivable		1,155	17,701
Prepaid expenses		6,600	6,604
Total current assets		30,205	187,677
Non-current assets			
Investments	6	3,241	35,641
Reclamation bond		-	7,358
Exploration and evaluation assets	7	390,238	261,073
Total assets		423,684	491,749
Liabilities			
Current liabilities			
Trade and other payables		18,006	27,282
Due to related parties	14	42,173	7,250
Convertible debenture	8	100,000	100,000
Loans payable	9	338,374	333,010
Total liabilities		498,553	467,542
Equity (deficiency)			
Share capital	10	18,781,168	18,691,927
Contributed surplus	10	1,729,782	1,719,782
Equity portion of convertible debenture	8	11,255	11,255
Accumulated deficit		(20,597,074)	(20,418,197)
Accumulated other comprehensive income		-	19,440
Total equity (deficiency)		(74,869)	24,207
Total liabilities and equity (deficiency)		423,684	491,749

Nature of operations and going concern (Note 1)

Subsequent events (Note 18)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 13, 2019 and are signed on its behalf by:

/s/“Mark Fields”

Director

/s/“Andrew Hancharyk”

Director

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

DISCOVERY HARBOUR RESOURCES CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

	Note	2019 \$	2018 \$
Expenses			
Employee costs	12	87,369	118,000
Finance expense	12	-	5,795
General and administrative expenses	12	74,345	70,079
Total expenses		(161,714)	(193,874)
Other expenses	12	(36,603)	(8,943)
Net loss for the year		(198,317)	(202,817)
Other comprehensive loss		-	(4,860)
Comprehensive loss for the year		(198,317)	(207,677)
Loss per common share, basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding		24,860,854	18,932,087

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

DISCOVERY HARBOUR RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital \$	Contributed Surplus \$	Equity Portion of Convertible Debenture \$	Accumulated Deficit \$	Other Comprehensive Gain (Loss) \$	Total \$
Balance at September 30, 2017	17,797,840	18,398,693	1,719,782	11,255	(20,215,380)	24,300	(61,350)
Net loss for the year	-	-	-	-	(202,817)	-	(202,817)
Unrealized loss on investment	-	-	-	-	-	(4,860)	(4,860)
Shares issued for private placement	6,000,000	300,000	-	-	-	-	300,000
Share issue costs	-	(6,766)	-	-	-	-	(6,766)
Balance at September 30, 2018	23,797,840	18,691,927	1,719,782	11,255	(20,418,197)	19,440	24,207
Transfer of unrealized gain on investments upon adoption of IFRS 9	-	-	-	-	19,440	(19,440)	-
Net loss for the year	-	-	-	-	(198,317)	-	(198,317)
Shares issued for private placement	2,000,000	90,000	10,000	-	-	-	100,000
Share issue costs	-	(759)	-	-	-	-	(759)
Balance at September 30, 2019	25,797,840	18,781,168	1,729,782	11,255	(20,597,074)	-	(74,869)

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

DISCOVERY HARBOUR RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
Operating activities		
Net loss for the year	(198,317)	(202,817)
Items not involving cash:		
Accretion expense	-	5,795
Loss on foreign exchange	4,968	9,285
Unrealized loss on investments	32,400	-
Changes in non-cash working capital accounts:		
Amounts receivable	16,942	(16,030)
Prepaid expenses	4	(1,118)
Trade and other payables	(9,276)	10,403
Total cash used in operating activities	(153,279)	(194,482)
Investing activities		
Expenditures on exploration and evaluation assets	(129,165)	(207,779)
Redemption (purchase) of term deposit	145,000	(160,000)
Return of reclamation bond	7,358	-
Total cash flows provided by (used in) investing activities	23,193	(367,779)
Financing activities		
Proceeds from share issuances	100,000	300,000
Share issuance costs	(759)	(6,766)
Advances from related parties	34,923	7,250
Demand loan received	-	255,490
Demand loan repayment	-	(30,000)
Total cash flows provided by financing activities	134,164	525,974
Total change in cash during the year	4,078	(36,287)
Cash, beginning of year	3,372	39,659
Cash, end of year	7,450	3,372
Supplemental information		
Interest paid	-	-
Income taxes paid	-	-

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

DISCOVERY HARBOUR RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Page 1
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Discovery Harbour Resources Corp. (the “Company”) was incorporated under the Business Corporations Act of British Columbia on March 11, 2009. The Company was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (“TSXV”) and completed its Qualifying Transaction pursuant to the policies of the TSXV on November 22, 2010. The Company is listed on the TSX Venture Exchange as a Tier 2 Venture Issuer having the symbol DHR-V. The Company completed a reverse takeover transaction with CVC Cayman Ventures Corp. on April 2, 2013.

The address of the Company’s corporate office and principal place of business is Suite 1100 - 595 Howe Street, Vancouver, British Columbia, Canada.

The Company has not generated revenue from operations since inception. The Company has accumulated losses of \$20,597,074 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to raise financing and generate future profitable operations. As the Company is in the exploration stage, the recoverability of costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise funds to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

2. BASIS OF PREPARATION

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”).

The consolidated financial statements were authorized for issue by the Board of Directors on December 13, 2019.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as described in Note 3.

The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0845837 B.C. Ltd. (active) and Discovery Harbour (USA) LLC (dormant). Inter-company balances and transactions are eliminated on consolidation.

DISCOVERY HARBOUR RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Page 2
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Mineral Exploration and Evaluation Assets

All costs related to the acquisition, exploration and development of resource properties are capitalized and classified as intangible assets. Upon commencement of commercial production, the related accumulated costs are amortized to income using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of exploration and evaluation assets is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as exploration and evaluation assets represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values.

When options are granted on resource properties or properties are sold, proceeds are reflected as a reduction of the cost of the property. If sale proceeds exceed costs, the excess is reported as a gain in the consolidated statement of comprehensive loss.

b) Impairment of Non-Financial Assets

Impairment of exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal; no further substantive expenditures are planned; exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered; or indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Page 3
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit and loss (“FVTPL”). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets 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.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within the 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.

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above 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 amortized cost, FVOCI, or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (continued)

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- **Fair value through OCI (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- **Fair value through profit or loss (“FVTPL”):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

The following table summarizes the classification of the Company’s financial instruments under IAS 39 and the new measurement under IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash	FVTPL	FVTPL
Term deposits	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	FVTPL
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Convertible debenture	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

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FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (continued)

Financial liabilities

The Company classifies its financial liabilities at (i) FVTPL; or (ii) amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value change to financial liabilities at FVTPL is presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of the change in the fair value is presented in profit or loss.

The Company has classified its trade and other payables, due to related parties, convertible debenture and loans payable at amortized cost. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

d) Short-term Investments

Short-term investments include term deposits. Term deposits are Canadian guaranteed investment certificates that have maturities within 12 months from the consolidated statement of financial position date and are readily convertible into known amounts of cash with minimal risk of fluctuation in fair value.

e) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

DISCOVERY HARBOUR RESOURCES CORP.
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FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Deferred Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities and are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable the asset will be realized.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent it is probable that future taxable profit will allow the deferred tax asset to be recovered.

g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and the equity portion of a convertible debenture are classified as equity instruments.

The proceeds from the issue of units are allocated between common shares and share purchase warrants based on the residual value method. The fair value of common shares is based on the market closing price on the date the units are issued. Equity instruments issued to agents as financing costs are measured at their fair value at the date of grant. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

h) Earnings (Loss) Per Share

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

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(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. If it is determined that the fair value of the goods or services cannot be reliably measured, it would then be recorded at the date the goods or services were received. The fair value of share-based compensation is charged to the consolidated statement of comprehensive loss with a corresponding credit recorded to contributed surplus. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The fair value of options is determined using the Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense in the consolidated statement of comprehensive loss.

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

j) Foreign Currency Translation

The presentation currency and functional currency of the Company and its subsidiaries is the Canadian dollar as this is the principal currency of the economic environment in which they operate. The Company translates transactions in foreign currencies into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in comprehensive loss.

DISCOVERY HARBOUR RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Page 8
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Adoption of New and Revised Standards and Interpretations

The Company has adopted the following new standards effective October 1, 2018:

IFRS 9 – Financial Instruments

IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) that relate to the recognition, classification, and measurements of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements. The adoption of IFRS 9 did not impact the carrying value of any of the Company’s financial assets or liabilities on the date of transition. On adoption of IFRS 9 the Company classified its investments at fair value through profit or loss and on the date of transition transferred the unrealized gain of \$19,440 from accumulated other comprehensive income to deficit. There was no other significant impact on the Company’s financial statements from the adoption of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. There was no impact on the Company’s consolidated financial statements from the adoption of IFRS 15.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2019, and have not been early adopted in preparing these consolidated financial statements.

DISCOVERY HARBOUR RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Page 9
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Adoption of New and Revised Standards and Interpretations (continued)

New accounting standards effective October 1, 2019:

IFRS 16 – Leases

IFRS 16 replaces IAS 17, “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15, “Revenue from Contracts with Customers”.

The Company does not expect the adoption of IFRS 16 to have a material impact on the Company’s future results and financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical estimates and judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company’s accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting impairment, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income Taxes

Significant judgment is required in determining the provision for income taxes and the recognition of deferred income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than any amount recognized as current or deferred taxes.

iv) Going Concern

As described in Note 1, management uses its judgement in determining whether the Company is able to continue as a going concern.

v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 11.

5. TERM DEPOSITS

The term deposits are held at BMO Bank of Montreal. As at September 30, 2019, the fair value of the term deposits is \$15,000 (September 30, 2018 - \$160,000).

6. INVESTMENTS

a) Red Oak Mining Corp.

The Company's investment in Red Oak Mining Corp. ("ROC") (previously Universal Wing Technologies Inc.) is classified as FVTPL and measured at fair value. ROC is a public company listed for trading on the TSXV. During the year ended September 30, 2010, the Company acquired 47,000 shares of ROC for \$188,000 and 90,000 units of ROC for \$309,000 which were comprised of 90,000 shares valued at \$209,000 and 90,000 warrants

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6. INVESTMENTS

a) Red Oak Mining Corp. (continued)

valued at \$100,000. The warrants expired unexercised and the cost was expensed to the statement of operations. During the year ended September 30, 2011, the Company acquired 25,000 shares of ROC for \$65,000. The carrying cost of the Company's investment in ROC is \$462,000.

A summary table of the Company's investment in ROC is as follows:

	Number of shares	Fair value \$
Balance, September 30, 2017	162,000	40,500
Unrealized loss	-	(4,860)
Balance, September 30, 2018	162,000	35,640
Unrealized loss	-	(32,400)
Balance, September 30, 2019	162,000	3,240

b) Stratus Aeronautics Inc.

The Company's investment in Stratus Aeronautics Inc. ("Stratus"), a private company incorporated in Canada, is classified as FVTPL and measured at fair value. The Company acquired 594,000 shares of Stratus on September 22, 2011 pursuant to a transaction to settle a \$330,000 loan agreement with Stratus. During the year ended September 30, 2014, the Company wrote down its investment down to its estimated fair value of \$1.

7. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

	Nevada Caldera \$	Nevada Caldera Extension \$	Total \$
Balance at September 30, 2017	53,294	-	53,294
Exploration costs			
Administration	797	-	797
Mapping	35,366	-	35,366
Sampling	4,227	-	4,227
	40,390	-	40,390
Acquisition of property			
Advance royalty	38,199	-	38,199
Claim rental	109,628	-	109,628
Claim staking	19,562	-	19,562
	167,389	-	167,389
Balance at September 30, 2018	261,073	-	261,073

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	Nevada Caldera \$	Nevada Caldera Extension \$	Total \$
Balance at September 30, 2018	261,073	-	261,073
Acquisition of property			
Advance royalty	66,300	-	66,300
Claim rental	61,598	1,267	62,865
	127,898	1,267	129,165
Balance at September 30, 2019	388,971	1,267	390,238

a) Caldera Property (Nevada, USA)

On November 18, 2016, as amended February 17, 2017 and March 30, 2017, the Company signed an option agreement (the “Option Agreement”) with Genesis Gold Corporation (the “Vendor”) to acquire a 100% interest, subject to advance minimum royalty payments and a 2% retained royalty, in the Caldera gold property (the “Property”) located in Nye County, Nevada. The Company may earn its interest in the Property by making the following optional payments:

1. The Company shall make Advance Royalty Payments in US dollar currency as follows:

Advance Minimum Royalty	Amount US\$
On signing (paid)	5,000
On or before June 30, 2017 (paid)	15,000
First anniversary (paid)	30,000
Second anniversary (paid)	50,000
Third anniversary	75,000
Fourth anniversary	100,000
Fifth anniversary	125,000
Sixth anniversary and thereafter	150,000

Beginning with the payment due on the fifth anniversary date, all annual payments will be adjusted at the rate of inflation shown in the U.S. Consumer Price Index (“CPI”) using the CPI on the fourth anniversary date as the basis for adjustment for the remainder of the Option Agreement term.

2. During the term of the option, the Company shall pay rentals for the unpatented mining claims to the Bureau of Land Management sufficient to keep the properties in good standing. Should the Company decide to terminate the option on any part of the Property on or after 15 June of any year, the Company will be responsible for making rental payments in that year.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Caldera Property (Nevada, USA) (continued)

3. The Company shall issue to the Vendor 166,667 share purchase warrants exercisable at \$0.15 per share for a term of three years (issued June 12, 2017 with a fair value of \$13,290).
4. The Company may exercise the Option to acquire 100% interest, subject to annual advance minimum royalty payments and a 2% retained royalty, in the Property by requesting title transfer in writing upon having completed US\$400,000 in Advance Royalty Payment to the Vendor.

b) Caldera Extension Property (Nevada, USA)

On August 15, 2018, as amended September 19, 2018 and December 20, 2018, the Company signed a Letter of Intent with Ore Capital Partners Ltd. (“Ore Capital”) to acquire a 100% interest in the Caldera Extension gold property located in Nye County, Nevada, in return for a 2% net smelter royalty (“NSR”) retained by Ore Capital that the Company can purchase for \$1,000,000 for each one percentage point of the NSR. Ore Capital is a related party by virtue of holding beneficial ownership of over 10% of the common shares of the Company and sharing a common director. The acquisition was completed on January 3, 2019.

8. CONVERTIBLE DEBENTURE

On April 8, 2017, the Company issued a non-interest bearing, unsecured convertible debenture to Richard Gilliam, a director and major shareholder of the Company, for gross proceeds of \$100,000. The debenture is convertible, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of \$0.15 per share or the subscription price for each common share in the most recently completed private placement of the Company during the term of the debenture. The debenture matured twelve (12) months from the date of closing of the financing on April 8, 2018 and is payable on demand. Using a risk adjusted discount rate of 12%, the equity portion was determined to be \$11,255 and was recognized as the equity portion of convertible debenture on the Consolidated Statement of Financial Position. Accretion expense of \$5,795 was expensed to the Consolidated Statements of Comprehensive Loss during the year ended September 30, 2018.

9. LOANS PAYABLE

On August 1, 2017, the Company received a non-interest bearing, unsecured demand loan of US \$80,000 from Richard Gilliam, a director and major shareholder of the Company. The fair value of the loan was \$105,944 on September 30, 2019 (September 30, 2018 - \$103,560).

On October 6, 2017, the Company received a non-interest bearing, unsecured demand loan of US \$100,000 from Richard Gilliam. The fair value of the loan was \$132,430 on September 30, 2019 (September 30, 2018 - \$129,450).

On December 19, 2017, the Company received a non-interest bearing, unsecured demand loan of \$130,000 from Richard Gilliam. The Company repaid \$30,000 of the demand loan on August 2, 2018.

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10. SHARE CAPITAL AND RESERVES

a) Common Shares

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

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The Company issued the following common shares during the year ended September 30, 2019:

- i) On March 20, 2019, the Company raised gross proceeds of \$100,000 by way of a non-brokered private placement of 2,000,000 units priced at \$0.05 (the "Units"). Each Unit consists of one common share and one share purchase warrant, with each whole warrant exercisable into one further common share at a price of \$0.10 for a term of one year. All securities issued were subject to a hold period expiring July 21, 2019.

The Company issued the following common shares during the year ended September 30, 2018:

- ii) On July 23, 2018, the Company raised gross proceeds of \$300,000 by way of a non-brokered private placement of 6,000,000 units priced at \$0.05 (the "Units"). Each Unit consists of one common share and one share purchase warrant, with each whole warrant exercisable into one further common share at a price of \$0.10 for a term of two years. All securities issued were subject to a hold period expiring November 24, 2018.

b) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. No preferred shares have been issued since the Company's inception.

c) Contributed Surplus

	September 30, 2019	September 30, 2018
	\$	\$
Fair value of warrants issued	234,286	224,286
Fair value of stock options granted or vested	1,495,496	1,495,496
Contributed surplus	1,729,782	1,719,782

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10. SHARE CAPITAL AND RESERVES (CONTINUED)

d) Share Purchase Warrants

A summary of the Company's share purchase warrants at September 30, 2019 and 2018 and the changes for the periods then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2017	200,000	\$0.16
Issue of warrants	6,000,000	\$0.10
Balance at September 30, 2018	6,200,000	\$0.10
Issue of warrants	2,000,000	\$0.10
Balance at September 30, 2019	8,200,000	\$0.10

As at September 30, 2019, the Company had outstanding and exercisable warrants as follows:

Number of Warrants Outstanding and Exercisable		Exercise Price per Share	Expiry Date
September 30, 2019	September 30, 2018		
2,000,000	-	\$0.10	March 20, 2020
166,667	166,667	\$0.15	June 12, 2020
33,333	33,333	\$0.225	June 12, 2020
6,000,000	6,000,000	\$0.10	July 23, 2020
8,200,000	6,200,000		

11. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a Stock Option Plan dated September 29, 2015 (the "Plan"). Because it is a rolling stock option plan, the Company may grant options to a maximum of 10% of the issued and outstanding Common Shares, from time to time, under the Plan. However, share compensation awards under all share compensation arrangements of the Company may not exceed, in aggregate, 10% of the total number of issued and outstanding Common Shares. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other TSX Venture Exchange Policy requirements. Options granted under the Plan are subject to vesting terms determined by the Board. The Plan was approved by the Company's shareholders on October 28, 2015 and became effective as of that date.

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11. SHARE-BASED PAYMENTS (CONTINUED)

a) Option Plan Details (continued)

A summary of the Company's stock options at September 30, 2019 and 2018 and the changes for the years then ended is presented below:

	September 30, 2019		September 30, 2018	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	386,667	\$0.34	486,667	\$0.33
Cancelled	-	-	(100,000)	\$0.30
Ending balance	386,667	\$0.34	386,667	\$0.34

During the year ended September 30, 2018, the Company cancelled 100,000 stock options exercisable at \$0.30 per share.

Details of stock options outstanding and exercisable as at September 30, 2019 and 2018 are as follows:

Expiry Date	Exercise Price	September 30, 2019	September 30, 2018
March 23, 2020	\$0.30	366,667	366,667
July 5, 2020	\$0.90	10,000	10,000
November 23, 2020	\$1.23	10,000	10,000
		386,667	386,667

12. NATURE OF EXPENSES

	2019	2018
	\$	\$
Other income (expenses) include:		
Interest income	968	154
Loss on foreign exchange	(5,171)	(9,097)
Unrealized loss on investments	(32,400)	-
	(36,603)	(8,943)
Employee costs include:		
Management fees	-	108,000
Consulting fees	60,800	8,000
Salaries and benefits	26,247	2,000
WorkSafeBC premiums	322	-
	87,369	118,000
Finance expense includes:		
Accretion expense	-	5,795
	-	5,795

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12. NATURE OF EXPENSES (CONTINUED)

	2019	2018
	\$	\$
General and administrative expenses include:		
Accounting and audit fees	13,946	15,515
Filing fees	10,774	7,749
Insurance	9,987	9,945
Investor communication	19,525	12,005
Legal	12,527	12,614
Office	4,234	8,968
Transfer agent	3,352	3,283
	74,345	70,079

13. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2019	2018
Combined statutory tax rate	27.00%	26.50%
	\$	\$
Income tax recovery at combined statutory rate	(53,546)	(53,747)
Non-deductible expenses and other items	2,789	848
Effect of change in statutory rate	(77,820)	(77,157)
Change in unrecognized deferred tax assets	128,577	130,056
Income tax expense	-	-

Significant components of the Company's unrecognized deferred tax assets (liabilities) are shown below:

	2019	2018
Equipment	7,595	7,454
Exploration and evaluation assets	2,344,074	2,300,665
Investments	159,626	152,377
Share issuance costs	1,260	1,434
Non-capital and capital loss carry-forwards	1,739,103	1,661,151
Total deferred income tax assets	4,251,658	4,123,081
Unrecognized deferred tax assets	(4,251,658)	(4,123,081)
Net deferred tax assets	-	-

As at September 30, 2019, the Company has available for deduction against future taxable income non-capital losses of approximately \$6,298,000, which will expire between 2028 and 2039. The Company has available for deduction against future taxable capital gains net-capital losses of approximately \$286,000 which can be carried forward indefinitely.

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14. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

	2019	2018
	\$	\$
Short-term employee benefits and director fees	24,000	110,000
	<u>24,000</u>	<u>110,000</u>

The Company has entered into an Employment Agreement with the Company's Chief Financial Officer effective September 1, 2018 for a twelve month term ending August 31, 2019 and subsequently extended on September 1, 2019 to continue on a monthly basis. As compensation for the services to be provided, the Chief Financial Officer will receive a monthly fee of \$2,000. During the year ended September 30, 2019, the Company paid \$24,000 (2018: \$2,000) in salary to the Chief Financial Officer.

During the year ended September 30, 2018, the Company paid \$33,000 in accounting fees to a company controlled by the former Chief Financial Officer, and \$75,000 in management fees to a company controlled by the Interim President and Chief Executive Officer.

b) Consulting Agreement

The Company has entered into a Strategic Consulting Agreement with Ore Capital, a significant shareholder with a common director, effective September 1, 2018 for a twelve month term with provisions for automatic renewal for consecutive twelve month terms unless 30 days written notice of termination is provided. As compensation for the services provided, Ore Capital will receive a monthly fee of \$5,000. During the year ended September 30, 2019, the Company recorded \$60,000 (2018: \$5,000) in consulting fees payable to Ore Capital. Due to related parties at September 30, 2019 includes \$42,173 (2018: \$5,250) in amounts owing to Ore Capital for unpaid services and expenses.

c) Office Expenses

Office expenses of \$226 (2018: \$nil) was paid to a company that shares a common officer during the year ended September 30, 2019.

Office rent of \$nil (2018: \$4,500) was paid to a company that formerly shared a common officer during the year ended September 30, 2018.

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14. RELATED PARTY TRANSACTIONS (CONTINUED)

d) Convertible Debenture and Demand Loan

The Convertible Debenture described in Note 8 and the Loans Payable described in Note 9 were advanced by Richard Gilliam, a director and major shareholder of the Company.

e) Private Placement

Directors and/or parties who hold beneficial ownership of over 10% of the common shares of the Company subscribed for \$65,000 of the private placement described in Note 10(a)(i).

The private placement described in Note 10(a)(ii) was fully subscribed by directors and/or parties who hold beneficial ownership of over 10% of the common shares of the Company.

f) Property Acquisition

The Caldera Extension property described in Note 7(b) was acquired from Ore Capital, a significant shareholder with a common director, on January 3, 2019.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments include cash, term deposits, amounts receivable, investments, trade and other payables, due to related parties, convertible debenture and loans payable. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	September 30, 2019		September 30, 2018	
	Fair Value \$	Carrying Value \$	Fair Value \$	Carrying Value \$
FVTPL assets (i)	25,691	25,691	199,013	199,013
Amortized cost assets (ii)	96	96	11,393	11,393
Amortized cost liabilities (iii)	485,053	485,053	454,042	454,042

(i) Cash, term deposits, investments

(ii) Amounts and other receivable

(iii) Trade and other payables, due to related parties, convertible debenture, loans payable

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

As at September 30, 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	7,450	-	-	7,450
Term deposits	15,000	-	-	15,000
Investments	3,241	-	-	3,241

The Company has assessed that the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and cash equivalents. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash and cash equivalents with high credit chartered Canadian financial institutions. As at September 30, 2019, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables, amounts due to related parties, convertible debenture and loans payable. The Company has a working capital deficit of \$468,348 as at September 30, 2019 and requires additional financing for operations and meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 16. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

The following are the contractual maturities of financial liabilities as at September 30, 2019:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years	Over 3 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	4,506	4,506	4,506	-	-	-
Due to related parties	42,173	42,173	42,173	-	-	-
Convertible debenture	100,000	100,000	100,000	-	-	-
Loans payable	338,374	338,374	338,374	-	-	-
Total	485,053	485,053	485,053	-	-	-

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. The Company is exposed to foreign exchange risk because the Company's financial instruments are denominated in both Canadian dollars and US dollars, and all current exploration occurs within the United States.

16. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its exploration and evaluation assets, pursue the acquisition and exploration of other mineral interests, and to maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in equity to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash.

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17. SEGMENTED INFORMATION

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in the United States:

	September 30, 2019			September 30, 2018		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Current assets	30,205	-	30,205	187,677	-	187,677
Investment	3,241	-	3,241	35,641	-	35,641
Reclamation bond	-	-	-	-	7,358	7,358
Exploration and evaluation assets	-	390,238	390,238	-	261,073	261,073
Total assets	33,446	390,238	423,684	223,318	268,431	491,749

18. SUBSEQUENT EVENTS

a) Marketing Services Agreement

On October 4, 2019, the Company entered into a Marketing Services Agreement (the “Agreement”) to engage a contractor (the “Consultant”) to provide marketing, public relations and advisory services for an initial six month term for a fee of \$12,000 per month payable in advance (\$72,000 paid) upon the completion of a \$0.05 unit private placement offered by the Company (closed on October 31, 2019). As further consideration, the Consultant received 515,000 stock options exercisable at a price of \$0.075 per share until October 4, 2024. The options are to vest over a period of 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting. Upon completion of the initial six month term, the Agreement will continue on a monthly basis until terminated by either party with the provision of 30 days notice.

b) Stock Options

On October 4, 2019, the Company granted 1,590,000 stock options with an exercise price of \$0.075 per share expiring October 4, 2024 to directors, employees and consultants. 1,075,000 options vested immediately and 515,000 options granted to a consultant are to vest over a period of 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting.

On October 22, 2019, the Company granted 600,000 stock options with an exercise price of \$0.09 per share expiring October 22, 2024 to a director. All options vested immediately.

c) Warrant Extension

On October 8, 2019, the Company extended the expiry date of 2,000,000 common share purchase warrants exercisable at \$0.10 per share from March 20, 2020 to March 31, 2021. The warrants were issued pursuant to a private placement of 2,000,000 common shares with 2,000,000 share purchase warrants attached, described in Note 10(a)(i).

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18. SUBSEQUENT EVENTS (CONTINUED)

c) Warrant Extension (continued)

On October 8, 2019, the Company extended the expiry date of 6,000,000 common share purchase warrants exercisable at \$0.10 per share from July 23, 2020 to March 31, 2021. The warrants were issued pursuant to a private placement of 6,000,000 common shares with 6,000,000 share purchase warrants attached, described in Note 10(a)(ii).

d) Demand Loans

On October 9, 2019, the Company amended the promissory notes for the US \$80,000 loan advanced on August 1, 2017 and US \$100,000 loan advanced on October 6, 2017 described in Note 9, so that the loans mature on October 9, 2020 (“Maturity”) and interest will accrue at a rate of 4% per annum, compounded semi-annually, and will be paid on Maturity together with the outstanding principal.

e) Private Placement

On October 23, 2019, the Company completed the initial tranche (the “First Tranche”) of a non-brokered private placement consisting of 7,884,000 units priced at \$0.05 (the “Units”) for gross proceeds of \$394,200. Each Unit consists of one common share and one share purchase warrant (the “Warrant”) exercisable into one further common share at a price of \$0.10 for a term of one year, subject to an acceleration provision of the Company whereby, if for any ten (10) consecutive trading days the closing price of the shares on the TSXV exceeds \$0.20 at any time commencing four (4) months after the Closing and until their expiry date, then the remaining term of the Warrants will be reduced to thirty (30) days, commencing seven (7) days from the end of such ten (10) consecutive trading day period. All securities issued in the First Tranche are subject to a hold period expiring February 24, 2020.

On October 31, 2019, the Company completed the final tranche (the “Final Tranche”) of a non-brokered private placement consisting of 4,116,000 Units for gross proceeds of \$205,800. All securities issued in the Final Tranche are subject to a hold period expiring March 1, 2020.

f) Caldera Property

On November 13, 2019, the Company made the third anniversary advance royalty payment of US \$75,000 (\$99,638) to Genesis Gold Corporation pursuant to the Caldera property option agreement described in Note 7(a).