



SCOTTIE RESOURCES CORP.

**CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)**

FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2021 AND 2020

SCOTTIE RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
AS AT

	May 31, 2021	August 31, 2020 (audited)
ASSETS		
Current		
Cash	\$ 3,517,362	\$ 4,742,872
GST Receivable	42,569	81,169
BCMETS receivable (Note 5)	193,854	193,854
Prepaid expenses and advances	<u>58,306</u>	<u>303,777</u>
	<u>3,812,091</u>	<u>5,321,672</u>
Non-current assets		
Reclamation bonds	55,500	55,500
Property, plant, and equipment (Note 6)	534,745	18,562
Deferred financing costs (Note 12)	50,816	-
Deposits (Note 6)	-	435,485
Exploration advances (Note 5)	-	890,879
Exploration and evaluation assets (Note 5)	<u>8,298,445</u>	<u>5,785,378</u>
	<u>8,939,506</u>	<u>7,185,804</u>
	<u>\$ 12,751,597</u>	<u>\$ 12,507,476</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 365,442	\$ 149,706
Due to related parties (Note 7)	10,807	51,854
Flow-through premium liability (Note 8)	<u>4,868</u>	<u>245,721</u>
	<u>381,117</u>	<u>447,281</u>
Equity		
Share capital (Note 8)	17,539,367	16,311,711
Contributed surplus (Note 8)	2,561,341	2,241,945
Deficit	<u>(7,730,228)</u>	<u>(6,493,461)</u>
	<u>12,370,480</u>	<u>12,060,195</u>
	<u>\$ 12,751,597</u>	<u>\$ 12,507,476</u>

Nature and continuance of operations (Note 2(d))

Commitments (Note 9)

Subsequent events (Note 13)

Approved and authorized by the Board on July 14, 2021.

“Bradley Rourke”

Director

“Ernest Mast”

Director

Bradley Rourke

Ernest Mast

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

SCOTTIE RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three Months Ended May 31, 2021	Three Months Ended May 31, 2020	Nine Months Ended May 31, 2021	Nine Months Ended May 31, 2020
EXPENSES				
Consulting	\$ 28,000	\$ 30,000	\$ 75,000	\$ 136,299
Conferences	-	-	-	70,730
Depreciation	180	-	422	-
Insurance	4,337	3,322	10,206	11,009
Management fees (Note 7)	30,000	30,000	90,000	90,000
Marketing	128,227	44,311	579,811	68,544
Office and miscellaneous	16,323	8,428	67,863	50,525
Professional fees (Note 7)	110,371	25,649	191,942	85,185
Share-based payments (Note 8)	157,670	179,538	360,953	558,120
Shareholder communications	7,851	13,410	20,133	73,345
Transfer agent, listing and filing fees	4,546	9,988	28,954	23,011
Travel and accommodation	17,219	4,932	52,336	94,583
Loss from operations	(504,724)	(349,578)	(1,477,620)	(1,261,351)
Other expenses/income				
Foreign exchange loss	-	-	-	(1,970)
Flow-through premium recovery	32,224	-	240,853	47,746
	32,224	-	240,853	45,776
Loss and comprehensive loss for the period	\$ (472,500)	\$ (349,578)	\$ (1,236,767)	\$ (1,215,575)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	120,798,025	91,630,393	120,553,145	82,062,316

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SCOTTIE RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Nine Months ended May 31, 2021	Nine Months ended May 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,236,767)	\$ (1,215,575)
Add items not affecting cash:		
Depreciation	20,095	-
Financing costs	-	(12,457)
Share-based payments	360,953	558,120
Flow-through obligation recovery	(240,853)	(47,746)
Non-cash working capital item changes:		
GST receivable	38,600	(8,647)
Prepaid expenses and advances	245,471	(37,729)
Accounts payable and accrued liabilities	32,882	(53,956)
Due to related parties	(41,047)	(145,615)
Net cash used in operating activities	<u>(820,666)</u>	<u>(963,605)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation bonds	-	(8,500)
Property, plant, and equipment	(100,793)	(14,960)
Exploration and evaluation expenditures	<u>(1,376,900)</u>	<u>(2,105,658)</u>
Net cash used in investing activities	<u>(1,477,693)</u>	<u>(2,129,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Options Exercised	50,000	-
Proceeds from issuance of shares	3,599	7,871,206
Share issuance costs	-	(283,497)
Deferred financing costs	(750)	-
Subscriptions received in advance	1,020,000	-
Loans repaid	<u>-</u>	<u>(230,000)</u>
Net cash provided by financing activities	<u>1,072,849</u>	<u>7,357,709</u>
Change in cash for the period	(1,225,510)	4,264,986
Cash, beginning of period	<u>4,742,872</u>	<u>182,040</u>
Cash, end of period	<u>\$ 3,517,362</u>	<u>\$ 4,447,026</u>

Non-cash Transactions (Note 12)

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

SCOTTIE RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number	Amount	Contributed Surplus	Subscription received in advance	Deficit	Total
Balance, August 31, 2019	62,937,183	\$ 5,423,549	\$ 1,280,013	\$ -	\$ (4,795,804)	\$ 1,907,758
Shares issued for cash:	38,958,058	7,871,206	-	-	-	7,871,206
Shares issued for exploration and evaluation assets	1,400,000	329,000	-	-	-	329,000
Share issue costs (Note 8)	600,000	(397,978)	114,481	-	-	(283,497)
Less: Flow-through premium	-	(416,523)	-	-	-	(416,523)
Shares issued to settle debt	567,000	141,750	-	-	-	141,750
Share-based payments (Note 8)	-	-	558,120	-	-	558,120
Loss and comprehensive loss	-	-	-	-	(1,215,575)	(1,215,575)
Balance, May 31, 2020	104,462,241	12,951,004	1,952,614	-	(6,011,379)	8,892,239
Shares issued for cash	4,400,000	968,000	-	-	-	968,000
Share issuance costs	-	(72,718)	13,650	-	-	(59,068)
Flow-through premium (Note 8)	-	(111,205)	-	-	-	(111,205)
Warrants exercised	11,556,657	2,576,630	(34,165)	-	-	2,542,465
Share-based payments	-	-	309,846	-	-	309,846
Loss and comprehensive loss	-	-	-	-	(482,082)	(482,082)
Balance, August 31, 2020	120,418,898	16,311,711	2,241,945	-	(6,493,461)	12,060,195
Warrants exercised	14,997	5,156	(1,557)	-	-	3,599
Options Exercised	1,000,000	90,000	(40,000)	-	-	50,000
Mineral Property Acquisition	500,000	112,500	-	-	-	112,500
Share-based compensation	-	-	360,953	-	-	360,953
Subscriptions received in advance	-	-	-	1,020,000	-	1,020,000
Loss and comprehensive loss	-	-	-	-	(1,236,767)	(1,236,767)
Balance, May 31, 2021	121,933,895	\$ 16,519,367	\$ 2,561,341	\$ 1,020,000	\$ (7,730,228)	\$ 12,370,480

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

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

1. NATURE OF OPERATIONS

Scottie Resources Corp. (the “Company”) is an exploration stage company incorporated on November 24, 2009 in British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in British Columbia, Canada. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol “SCOT”.

The Company’s registered and records address is 905-1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The pandemic has not had a material impact on the Company’s operations which affect the financial statement. Management continues to monitor the situation.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited financial statements of the Company for the year ended August 31, 2020.

(b) Basis of Measurement

These financial statements have been prepared using the historical cost basis except for financial instruments that have been measured at fair value.

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

(c) Significant Accounting Judgement and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

2. BASIS OF PREPARATION (Cont'd...)

(d) Going Concern

As at May 31, 2021, the Company has an accumulated deficit of \$7,730,228 (August 31, 2020 - \$6,493,461), has not generated revenues from operations, has a working capital of \$3,430,974 (August 31, 2020 - \$4,874,391) and it expects to incur further losses in the exploration and evaluation of its mineral properties. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company's ability to obtain adequate financing to develop the reserves, and its ability to commence profitable operations in the future. These conditions form a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company has been able to fund operations and mineral property exploration through equity financings. Uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make the Company more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have, in management's opinion, been properly and consistently prepared within reasonable limits of materiality and within the framework of the significant accounting policies. The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended August 31, 2020.

Accounting standards and amendments issued.

A number of new standards and amendments to standards and interpretations are not yet effective for the nine months ended May 31, 2021 and have not been applied in preparing these financial statements. Management does not expect the impact of any such new standards and amendments to have any significant impact on its financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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 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 judgments 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 financial statements within the next financial year are discussed below:

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Cont'd...)

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that 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 that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Rehabilitation Provisions

Rehabilitation provisions have been determined to be \$Nil based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Share-Based Payments

The Company uses the Black Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Valuation of Deferred Tax Assets

The Company makes a determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

5. EXPLORATION AND EVALUATION ASSETS

Scottie Gold Project

Scottie

The Company owns a 100% interest in the Scottie Property. The Scottie property is located in the Golden Triangle mining district of British Columbia.

The property is subject to a 3% net smelter return royalty. The Company has the right to purchase 2% for \$600,000.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
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FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

5. EXPLORATION AND EVALUATION ASSETS (Cont'd...)

Scottie Gold Project (Cont'd...)

Bow

On December 12, 2018, the Company entered into an option agreement with another public company with a director in common with the Company to acquire a 100% interest in the Bow property located in the Golden Triangle mining district of British Columbia. The Bow property is subject to a 3% net smelter return royalty, of which the Company may purchase 66.67% (2%) for \$600,000. The Bow is contiguous with the Company's Scottie property.

The terms of the option agreement call for cash payments totalling \$1,000,000 to be paid as follows:

- \$200,000 on TSXV approval of the option agreement (paid);
- \$200,000 on or before June 12, 2019 (paid);
- \$200,000 on or before December 12, 2019 (paid)
- \$200,000 on or before June 12, 2020; and ¹
- \$200,000 on or before December 12, 2020.¹

¹During the year ended August 31, 2020, the Company renegotiated the terms of the payment schedule. The final two payments totalling \$400,000 were renegotiated and replaced with a single payment of \$300,000, which the Company paid and acquired 100% of the Bow property.

Summit Lake

On April 26, 2019, the Company entered into an option agreement to acquire a 100% interest in a land package directly adjacent to the Scottie property known as the Summit Lake property. The mineral claims comprising the land package cover 1,583 hectares.

The terms of the option agreement call for cash payments totalling \$250,000 to be paid as follows:

- \$50,000 on TSXV approval of the option agreement (paid);
- \$50,000 on or before April 26, 2020; (paid)
- \$50,000 on or before April 26, 2021; (paid)
- \$50,000 on or before April 26, 2022; and
- \$50,000 on or before April 26, 2023.

The terms of the option agreement call for share payments totalling 2,200,000 common shares to be issued as follows:

- 200,000 on TSXV approval of the option agreement (issued);
- 400,000 on or before April 26, 2020; (issued)
- 500,000 on or before April 26, 2021; (issued)
- 500,000 on or before April 26, 2022; and
- 600,000 on or before April 26, 2023.

The Summit Lake property is subject to a 1.8% gross smelter return royalty. The Company has the right to purchase 0.8% of the royalty for \$1,000,000 at any time.

The Company has also previously staked additional adjacent mineral claims for \$13,695.

Stock

The Company staked the Stock property. The Stock property is located south of the Company's Scottie property in the Golden Triangle mining district of British Columbia.

SCOTTIE RESOURCES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

5. EXPLORATION AND EVALUATION ASSETS (Cont'd...)

Cambria Project

Black Hills

The Company owns a 100% interest in the Black Hills property located in the Golden Triangle mining district of British Columbia. In 2013, the Company purchased the Black Hills mineral claims for \$10,000 from a company that was managed by a former director of the Company. The Company staked additional claims at Black Hills at a cost of \$1,680 during the year ended August 31, 2018.

Ruby Silver

On March 9, 2018, the Company purchased a 100% interest in the Ruby Silver property located in the Golden Triangle mining district of British Columbia for \$100,000.

Bitter Creek

On March 1, 2019, the Company entered into an option agreement to acquire a 100% interest in the Bitter Creek property located in the Golden Triangle mining district of British Columbia. Bitter Creek is subject to a 2.5% net smelter return royalty. Bitter Creek is contiguous with the Company's Black Hills and Ruby Silver properties.

The terms of the Agreement call for payments totalling \$850,000 to be paid as follows:

- \$5,000 upon signing of the agreement (paid);
- \$10,000 within five business days of receiving TSXV approval of the agreement. TSXV approval was received on March 20, 2019 (the "Approval Date") (paid);
- \$60,000 within five business days of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company (paid in cash);
- \$75,000 within 6 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company (paid);
- \$100,000 within 12 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company; (\$10,000 paid \$90,000 settled during the year)
- \$100,000 within 18 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;¹
- \$100,000 within 24 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;¹
- \$100,000 within 30 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;¹
- \$150,000 within 36 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;¹
- \$150,000 within 42 months of the Approval Date - payable in cash or in common shares of the Company, at the election of the Company;¹

¹During the year ended August 31, 2020, the Company renegotiated the terms of the agreement. The Company negotiated and made a one-time payment of \$325,000 and issued 1,000,000 common shares, valued at \$235,000 and acquired 100% of the Bitter Creek property.

The Company may purchase 60% (1.5%) of the net smelter return royalty for \$1,500,000.

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FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

5. EXPLORATION AND EVALUATION ASSETS (Cont'd...)

Exploration Advances

At May 31, 2021 the Company had advanced \$nil (August 31, 2020 - \$890,879) for exploration services that were rendered by the vendor.

	Scottie Gold Mine Project	Cambria Project	Total
<u>Property acquisition costs</u>			
Balance, August 31, 2019	\$ 903,197	\$ 186,680	\$ 1,089,877
Cash	550,000	410,000	960,000
Shares	<u>94,000</u>	<u>235,000</u>	<u>329,000</u>
Balance, August 31, 2020	1,547,197	831,680	2,378,877
Cash	50,000	4,647	54,647
Shares	<u>112,500</u>	<u>-</u>	<u>112,500</u>
Balance, May 31, 2021	<u>\$ 1,709,697</u>	<u>\$ 836,327</u>	<u>\$ 2,546,024</u>
<u>Exploration and evaluation costs</u>			
Balance, August 31, 2019	\$ 1,298,128	\$ 144,956	\$ 1,443,084
Depreciation	1,398	-	1,398
Assays	64,199	33,718	97,917
Drilling	507,715	-	507,715
Equipment rental	194,609	2,509	197,118
Field costs	699,908	4,198	704,106
Geological	<u>751,013</u>	<u>8,140</u>	<u>759,153</u>
Balance, August 31, 2020	3,516,970	193,521	3,710,491
Depreciation	19,672	-	19,672
Assays	174,258	-	174,258
Drilling	736,688	-	736,688
Equipment rental	316,580	-	316,580
Field costs	524,801	-	524,801
Geological	<u>571,207</u>	<u>2,714</u>	<u>573,921</u>
Balance, May 31, 2021	<u>\$ 5,860,176</u>	<u>\$ 196,235</u>	<u>\$ 6,056,411</u>
<u>BCMETC</u>			
Balance, August 31, 2020 and May 31, 2021	<u>\$ (271,557)</u>	<u>\$ (32,433)</u>	<u>\$ (303,990)</u>
Total, August 31, 2019	\$ 2,020,661	\$ 303,230	\$ 2,323,891
Total, August 31, 2020	\$ 4,792,609	\$ 992,769	\$ 5,785,378
Total, May 31, 2021	\$ 7,298,316	\$ 1,000,129	\$ 8,298,445

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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6. PROPERTY AND EQUIPMENT

	Equipment	Computer	Vehicle	Land	Building	Total
COST						
Balance, August 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	14,960	-	5,000	-	-	19,960
Balance, August 31, 2020	14,960	-	5,000	-	-	19,960
Additions	17,623	2,141	10,000	137,594	368,920	536,278
Balance May 31, 2021	\$ 32,583	\$ 2,141	\$ 15,000	\$ 137,594	\$ 368,920	\$ 556,238
ACCUMULATED DEPRECIATION						
Balance, August 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	1,393	-	5	-	-	1,398
Balance, August 31, 2020	1,393	-	5	-	-	1,398
Depreciation	4,519	422	1,943	-	13,211	20,095
Balance, May 31, 2021	\$ 5,912	\$ 422	\$ 1,948	\$ -	\$ 13,211	\$ 21,493
CARRYING AMOUNTS						
At August 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
At August 31, 2020	\$ 13,567	\$ -	\$ 4,995	\$ -	\$ -	\$ 18,562
At May 31, 2021	\$ 26,671	\$ 1,719	\$ 13,052	\$ 137,594	\$ 355,709	\$ 534,745

During the year ended August 31, 2020, the Company entered into an agreement to purchase a property consisting of a land and a building in Stewart, B.C. for total consideration of \$435,485. The Company had a deposit of \$435,485 held in trust as at August 31, 2020, which was used during the period ended May 31, 2021 to acquire the property.

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the nine months ended May 31, 2021 and May 31, 2020, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

	May 31, 2021	May 31, 2020
Management fees	\$ 90,000	\$ 90,000
Professional fees	67,500	55,500
Share-based payments	215,579	313,390
	\$ 373,079	\$ 458,890

As at May 31, 2021, \$10,807 (August 31, 2020 - \$51,854) is due to directors of the Company and to companies with directors in common with the Company for fees and expenses. During the year ended August 31, 2020, the Company accrued interest of \$2,441 and repaid a loan, which included principal and interest of \$191,688. Amounts due to/from related parties are unsecured, non-interest bearing and due on demand.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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8. EQUITY

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the nine months ended May 31, 2021, the Company:

- Issued 14,997 common shares for proceeds of \$3,599 on the exercise of share purchase warrants.
- Issued 1,000,000 common shares for proceeds of \$50,000 on the exercise of stock options.

During the year ended August 31, 2020, the Company:

- On September 25, 2019, the Company issued 819,000 flow through common shares at \$0.22 per share, and 8,087,933 non flow-through units at \$0.15 per unit for total gross proceeds of \$1,393,370. Each non flow-through unit consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one non flow-through common share of the Company at a price of \$0.22 for a period of 24 months. If the closing price of the Company's common shares is at a price equal to or greater than \$0.29 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice that the warrants will expire in 30 days.
- On October 18, 2019, the Company issued 2,036,726 flow-through common shares at \$0.22 per share, and 3,263,332 non flow-through units at \$0.15 per share for total gross proceeds of \$937,580. Each non flow-through unit consists of one common share and one common share purchase warrant, whereby each warrant entitles the holder to purchase one non flow-through common share of the Company at a price of \$0.22 for a period of 24 months. If the closing price of the Company's common shares is at a price equal to or greater than \$0.29 for a period of 10 consecutive trading days, the Company had the right, which it exercised, to accelerate the expiry date of the warrants by giving written notice that the warrants will expire in 30 days. The flow-through share premium liability associated with these issuances was \$47,746. During the year ended August 31, 2020, the Company incurred \$937,580 in flow-through eligible expenditures and the flow-through share premium liability in connection with this issuance was reduced to \$nil as at August 31, 2020.

In connection with the private placements the Company paid finders' fees of \$53,582, granted 325,392 finders' warrants and paid other share issuance costs of \$12,405. Each finder's warrant is exercisable at a price of \$0.22 for a period of 24 months. The finders' warrants were determined to have a fair value of \$34,165 which were recorded as share issuance costs. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model, based on the following assumptions:

Exercise price	\$0.18
Average risk-free interest rate	1.46%
Expected dividend yield	0.00%
Expected stock price volatility	119.4%
Expected life	2 years
Value per warrant	\$0.105

- On January 14, 2020, the Company issued 567,000 common shares at a fair value of \$0.25 per share to settle liabilities of \$141,750.

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

8. EQUITY (Cont'd...)

Issued Share Capital (Cont'd...)

- On January 16, 2020, the Company issued 10,000,000 non-flow through units at \$0.20 per share for total gross proceeds of \$2,000,000 pursuant to a private placement agreement. Each non-flow through unit consists of one common share and one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.30 for a period of 24 months.

In connection with the January 16, 2020 financing the Company issued 600,000 units valued at \$120,000 and paid other share issuance costs of \$12,657. Each unit consists of one common share and one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non flow-through common share of the Company at a price of \$0.30 for a period of 24 months.

- On April 22, 2020, the Company issued 1,000,000 common shares with a fair value of \$235,000 as part of the final payment on the Bitter Creek mineral property acquisition and 400,000 common shares with a fair value of \$94,000 for an option payment on the Summit Lake property.
- On May 14, 2020, the Company issued 14,751,067 flow-through common shares at \$0.24 per share, for total gross proceeds of \$3,540,256. The flow-through share premium liability associated with this issuance was \$368,777.

During the year ended August 31, 2020, the Company incurred \$1,181,339 in flow-through eligible expenditures in connection with this issuance, and the flow-through premium liability was reduced to \$245,721 as at August 31, 2020.

During the period ended May 31, 2021, the Company incurred \$309,352 in flow-through eligible expenditures in connection with this issuance, and the flow-through premium liability was reduced to \$4,868 as at May 31, 2021.

In connection with the May 14, 2020 financing, the Company paid finders' fees of \$185,629, granted 773,454 finders' warrants and paid other share issuance costs of \$19,224. Each finder's warrant is exercisable at a price of \$0.24 for a period of 24 months. The finders' warrants were determined to have a fair value of \$80,316 which were recorded as share issuance costs. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model, based on the following assumptions:

Exercise price	\$0.24
Average risk-free interest rate	0.36%
Expected dividend yield	0.00%
Expected stock price volatility	97.2%
Expected life	2 years
Value per warrant	\$0.104

- On June 8, 2020, the Company issued 4,400,000 non-flows through units at \$0.22 per unit for total gross proceeds of \$968,000. Each non-flow through unit consists of one common share and one half of one common share purchase warrant, whereby each warrant will entitle the holder to purchase one non-flow-through common share of the Company at a price of \$0.34 for a period of 24 months.

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

8. EQUITY (Cont'd...)

Issued Share Capital (Cont'd...)

In connection with the financing the Company issued 132,000 finders warrants and paid other share issuance costs of \$58,080. Each purchase warrant will entitle the holder to purchase one non-flow-through common share of the Company at a price of \$0.34 for a period of 24 months. The finders' warrants were determined to have a fair value of \$13,650 which were recorded as share issuance costs. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model, based on the following assumptions:

Exercise price	\$0.34
Average risk-free interest rate	0.48%
Expected dividend yield	0.00%
Expected stock price volatility	113.5%
Expected life	2 years
Value per warrant	\$0.103

- The Company issued 11,556,657 common shares for proceeds of \$2,542,465 on the exercise of share purchase warrants.

Share Purchase Warrants:

A summary of share purchase warrant activity for the nine months ended May 31, 2021, and for the year ended August 31, 2020, is presented below:

	Warrants	
	Number	Weighted Average Exercise Price
Outstanding, August 31, 2019	2,611,498	\$ 0.23
Granted	25,382,111	0.27
Exercised	(11,556,657)	0.22
Expired / cancelled	(2,731,498)	0.22
Outstanding, August 31, 2020	13,705,454	0.30
Exercised	(14,997)	0.24
Outstanding, May 31, 2021	13,690,457	\$ 0.30

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

8. EQUITY (Cont'd...)

Share Purchase Warrants (Cont'd...)

At May 31, 2021, the Company had 13,690,457 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held as follows:

Number of Warrants	Exercise Price	Remaining Life (years)	Expiry Date
10,600,000	\$0.30	0.63	January 16, 2022
758,457	\$0.24	0.95	May 14, 2022
<u>2,332,000</u>	<u>\$0.34</u>	<u>1.02</u>	<u>June 8, 2022</u>
<u>13,690,457</u>		<u>0.71</u>	

Share based payments.

The Company has a Stock Option Plan (“the Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 21,823,448 common shares, a maximum of 11,148,448 may be granted to insiders of the Company. The exercise price of options granted under the Plan may not be less than the fair market value of the Company’s common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years and vest on the date of grant or over periods determined by the directors.

During the period ended May 31, 2021, the Company granted 2,500,000 (2020 – 2,400,000) stock options and recognized share-based payments expense of \$360,953 (2020 - \$378,582) for options granted and vested. The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period.

	May 31, 2021	May 31, 2020
Risk-free interest rate	0.88%	0.36%
Expected life of options	5 years	5 years
Expected annualized volatility	100.04%	99.3%
Forfeiture rate	0%	0%
Dividend rate	0%	0%

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

8. EQUITY (Cont'd...)

Share based payments (Cont'd...)

A summary of stock option activity for the period ended May 31, 2021 and for the year ended August 31, 2020, is presented below:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, August 31, 2019	5,450,000	\$ 0.17
Granted	6,325,000	0.22
Cancelled/Expired	(1,400,000)	0.22
Outstanding, August 31, 2020	10,375,000	0.19
Granted	2,500,000	0.25
Exercised	(1,000,000)	0.05
Outstanding, May 31, 2021	11,875,000	\$ 0.22

At May 31, 2021, the Company had 11,875,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
300,000	300,000	\$0.20	0.98	May 24, 2022
150,000	150,000	\$0.26	1.41	October 26, 2022
600,000	600,000	\$0.255	1.77	March 8, 2023
1,000,000	1,000,000	\$0.10	2.51	December 3, 2023
1,000,000	1,000,000	\$0.22	2.90	April 25, 2024
2,400,000	2,400,000	\$0.195	3.30	September 17, 2024
100,000	75,000	\$0.225	2.68	February 3, 2024
3,625,000	3,600,000	\$0.215	3.99	May 25, 2025
200,000	200,000	\$0.42	0.22	August 21, 2021
300,000	150,000	\$0.255	4.62	January 13, 2026
2,100,000	525,000	\$0.25	4.89	April 19, 2026
100,000	25,000	\$0.25	4.98	May 21, 2026
11,875,000	10,025,000		3.52	

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

9. COMMITMENTS

During the year ended August 31, 2020, the Company issued flow-through common shares of \$4,168,516. Expenditures related to the use of flow-through share proceeds are included in exploration and evaluation assets but are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. As at May 31, 2021, the Company had \$46,733 in unspent flow-through funds. In accordance with the flow-through share agreement, the Company may be required to indemnify the holders of such shares of any tax and other costs payable to them in the event the Company does not fulfil its flow-through expenditure requirements.

10. FINANCIAL INSTRUMENTS

Cash is carried at FVTPL. Reclamation bonds, accounts payable, loans payable and due to related parties are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and advances from related parties are all current and due within 90 days of the balance sheet date.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes its components of shareholders' equity (deficiency). 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.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

SCOTTIE RESOURCES CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE PERIOD ENDED MAY 31, 2021, AND 2020

12. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows:

For the nine months ended May 31, 2021:

- At August 31, 2020, accounts payable and accrued liabilities included \$69,426 related to exploration and evaluation costs. At May 31, 2021, accounts payable and accrued liabilities included \$202,214 related to exploration and evaluation assets.
- At May 31, 2021, accounts payable and accrued liabilities included \$50,066 related to deferred financing costs.
- The Company incurred \$890,879 of exploration costs through exploration advances.
- The Company acquired a property in Stewart, BC for \$435,485, with funds held on deposit in trust.

For the nine months ended May 31, 2020:

- At May 31, 2020, accounts payable and accrued liabilities included \$25,623 related to exploration and evaluation assets. During the period ended May 31, 2020, the Company issued 600,000 units valued at \$120,000 and recorded \$114,481 related to finders' warrants issued as share issuance costs.
- During the period ended May 31, 2020, the Company issued \$1,400,000 common shares and recorded a flow-through premium liability of \$368,777.
- During the period ended May 31, 2020, the Company issued 14,751,067 common shares and recorded a flow-through premium liability of \$368,777.
- During the period ended May 31, 2020 the Company issued 567,000 common shares to settle debt of \$141,750.

13. SUBSEQUENT EVENTS

Subsequent to May 31, 2021, The Company:

- Entered into an amalgamation agreement (the "Agreement") with AUX Resources Corporation ("AUX") pursuant to which the Company will acquire all of the issued and outstanding shares of AUX (the "Transaction") on the basis of one common share of the Company for each share of AUX. Upon completion of the Transaction, it is expected that the shareholders of AUX will hold approximately 31% of the Company's issued and outstanding shares. Warrants and options of AUX will be adjusted or exchanged into warrants and options, respectively, of the Company. Subsequent to period end, AUX shareholders voted to approve the proposed amalgamation. The closing of the Transaction will be subject to additional conditions precedent, including but not limited to, the receipt of all necessary regulatory approvals.
- Closed a bough deal private placement financing raising aggregate gross proceeds of \$5,643,000 and issued 20,900,000 flow-through common shares (the "FT Shares") of the Company at a price of \$0.27 per FT Share (the "Issue Price"). The Company also completed a non-brokered private placement raising aggregate gross proceeds of \$1,377,000 and issued 5,100,000 FT Shares at the Issue Price. In connection with the private placements, the Company paid total cash commissions of \$369,180, a financial advisory fee of \$52,020, and issued 1,407,000 compensation warrants ("Compensation Warrants"). Each Compensation Warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per common share for a period of 24 months.