



CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 and 2019

(in Canadian dollars)

Esrey Resources Ltd.

September 30, 2020

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Esrey Resources Ltd.

Opinion

We have audited the consolidated financial statements of Esrey Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 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 2 to the financial statements, which indicates that the Company incurred a net loss of \$139,542 during the year ended September 30, 2020 and, as of that date, the Company's current liabilities exceeded its current assets by \$1,712,124. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 25, 2021

Esrey Resources Ltd.

Consolidated statements of financial position
(Expressed in Canadian dollars)

	Note	September 30, 2020	September 30, 2019
ASSETS			
Current assets			
Cash		\$ 206,627	\$ 228,195
Amounts receivable	5(c)	135,830	234,325
		342,457	462,520
Non-current assets			
Deposit	10	-	25,973
Investment in joint venture	6	111,727	111,727
		\$ 454,184	\$ 600,220
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5(c), 10, 15	\$ 1,818,712	\$ 1,831,977
Loan payable	7	235,869	233,697
		2,054,581	2,065,674
Equity			
Share capital	8	117,291,708	117,291,708
Share purchase warrants	8(c)	1,960,356	1,960,356
Contributed surplus		13,555,568	13,555,568
Accumulated other comprehensive income		240,803	233,297
Non-controlling interest	9	(313,025)	(305,770)
Deficit		(134,335,807)	(134,200,613)
		(1,600,397)	(1,465,454)
		\$ 454,184	\$ 600,220
Going concern (Note 2(c))			
Contingencies (Note 19)			

Approved and authorized for issue by the Board on June 25, 2021.

(Signed) "Allen Leschert"

Director

(Signed) "W. Joseph Yelder"

Director

See the accompanying notes to these consolidated financial statements.

Esrey Resources Ltd.

Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Note	Year ended September 30, 2020	Year ended September 30, 2019
Expenses:			
Project development costs	3(f)	\$ -	\$ 1,153,231
Write-down of pilot plant and equipment		-	1,834,250
Depreciation		-	608,677
General and administrative expenses	15(a)	61,870	303,544
Occupancy expenses	10	67,766	-
Amortization of right-of-use asset	10	42,085	-
Salaries and management fees	15(a)	34,000	708,078
Legal, audit and accounting fees		47,143	89,049
Interest expense on lease liabilities	10	19,194	-
Share-based payments	8(d)	-	2,945
		(272,058)	(4,699,774)
Other income (expenses):			
Interest income		-	1,829
Other income		17,509	11,439
Loss from investment in joint venture	6	-	(2,826)
Gain on termination of lease	10	4,789	-
Gain on disposal of stockpile material rights	11	132,430	-
Foreign exchange loss		(22,212)	(66,778)
		132,516	(56,336)
Net loss for the year		\$ (139,542)	\$ (4,756,110)
Attributable to:			
Non-controlling interest	9	(4,348)	830
Equity shareholders of the Company		(135,194)	(4,756,940)
Net loss for the year		\$ (139,542)	\$ (4,756,110)
Diluted weighted average number of shares	13	100,175,306	100,175,306
Basic and diluted net loss per share attributable to equity shareholders of the Company			
		\$ (0.00)	\$ (0.05)

See the accompanying notes to the consolidated financial statements.

Continued on next page

Esrey Resources Ltd.

Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

Continued from previous page

	Note	Year ended September 30, 2020	Year ended September 30, 2019
Net loss for the year		\$ (139,542)	\$ (4,756,110)
Other comprehensive income (loss)			
Foreign currency translation attributed to non-controlling interest	9	(2,907)	1,180
Foreign currency translation for equity shareholders of the Company		7,506	93,331
Total other comprehensive income for the year		4,599	94,511
Total comprehensive loss for the year		\$ (134,943)	\$ (4,661,599)

See the accompanying notes to the consolidated financial statements.

Esrey Resources Ltd.

Consolidated statements of changes in equity

(Expressed in Canadian dollars)

	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive (loss) income	Non- controlling interest	Deficit	Total equity
Balance, September 30, 2018	100,175,306	\$ 117,291,708	\$ 1,960,356	\$ 13,552,623	\$ 139,966	\$ (307,780)	\$ (129,443,673)	\$ 3,193,200
Share-based payments	-	-	-	2,945	-	-	-	2,945
Net income (loss) for the year	-	-	-	-	-	830	(4,756,940)	(4,756,110)
Foreign currency translation	-	-	-	-	93,331	1,180	-	94,511
Balance, September 30, 2019	100,175,306	117,291,708	1,960,356	13,555,568	233,297	(305,770)	(134,200,613)	(1,465,454)
Net loss for the year	-	-	-	-	-	(4,348)	(135,194)	(139,542)
Foreign currency translation	-	-	-	-	7,506	(2,907)	-	4,599
Balance, September 30, 2020	100,175,306	\$ 117,291,708	\$ 1,960,356	\$ 13,555,568	\$ 240,803	\$ (313,025)	\$ (134,335,807)	\$ (1,600,397)

See the accompanying notes to the consolidated financial statements.

Esrey Resources Ltd.

Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Note	Year ended September 30, 2020	Year ended September 30, 2019
Operating activities			
Net loss for the year		\$ (139,542)	\$ (4,756,110)
Adjustments to net loss for non-cash items			
Depreciation		-	608,677
Share-based payments		-	2,945
Interest income		-	(1,829)
Loss from investment in joint venture		-	2,826
Amortization of right-of-use asset	10	42,085	-
Gain on termination of lease	10	(4,789)	-
Interest expense on lease liabilities		19,194	-
Gain on disposal of stockpile material rights	11	(132,430)	-
Write-down of pilot plant and equipment		-	1,834,250
Foreign exchange loss		6,771	66,778
Net changes in non-cash working capital items	14	190,944	1,330,465
		(17,767)	(911,998)
Adjustments to net loss for cash items			
Interest income received		-	1,829
Realized foreign exchange loss		(19)	(36,742)
		(17,786)	(946,911)
Investing activities:			
Expenditures on pilot plant	3(f)	-	(30,152)
		-	(30,152)
Foreign exchange effect on cash and cash equivalents		(3,782)	(4,745)
Net decrease in cash		(21,568)	(981,808)
Cash, beginning of the year		228,195	1,210,003
Cash, end of the year		\$ 206,627	\$ 228,195

See the accompanying notes to the consolidated financial statements.

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

1. Nature of operations

Esrey Resources Ltd. (the "Company" or "Esrey") was incorporated on February 24, 2000 in the Province of British Columbia, Canada and its common shares trade under the symbol "ESR" on the TSX Venture Exchange. The address of Esrey's registered office is Suite 1000, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

During the year ended September 30, 2019, the Company had a pilot metal recovery plant in Macedonia which focused on developing a hydrometallurgical process to efficiently extract zinc and other metals from feed waste material on an economically viable scale. Activities at the pilot plant ceased in the fourth quarter of fiscal 2019. The Company expects that the hydrometallurgical process can also be applied in active mining operations and is currently seeking financing alternatives and is pursuing new mineral resources projects where this process can be used.

2. Basis of presentation and going concern

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") were approved and authorized for issuance by the Board of Directors as of June 25, 2021.

(b) Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis, and are presented in Canadian dollars, unless otherwise indicated.

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and exercise judgment in applying the Company's accounting policies. As a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(c) Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a working capital deficit as at September 30, 2020. In the short-term, the Company will require funding to eliminate this working capital deficit. The Company has no ability to raise financing until its financial disclosures are up to date with the TSX Venture Exchange and other regulatory authorities in Canada. The Company is currently the subject of cease trade orders due to not having completed the audit and filing of its consolidated financial statements and MD&A for the year ended September 30, 2020, and the filing of its consolidated financial statements and MD&A for the three months ended December 31, 2020 and the six months ended March 31, 2021 by the required regulatory filing deadlines. The Company will actively seek to raise financing once the cease trade orders are revoked. There can be no assurance that short-term funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may not be able to continue as a going concern.

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

2. Basis of presentation and going concern (continued)

(c) *Going concern* (continued)

In the longer-term, the Company will require significant funding to seek new business opportunities in the mineral resource sector. There can be no assurance that funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may not be able to acquire new projects. Even if adequate funds are available, there is no guarantee that any new projects acquired would be successfully developed to a stage where they could generate future cash flows. As a result, uncertainties exist that may cast significant doubt with respect to the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The pandemic and any related public health developments have adversely affected workforces, economies, and financial markets nationally and internationally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise funds.

Management believes the use of the going concern assumption is appropriate based upon the assumption that the Company will have sufficient cash resources to meet its ongoing obligations as they become due in the normal course of operations. The Company has successfully raised financing in the past and while it believes that it may be able to raise the necessary financing in the future, market conditions may not be supportive of this.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Accordingly, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in the consolidated financial statements.

3. Summary of significant accounting policies

The Company's principal policies have been outlined below.

(a) *Consolidation principles*

Subsidiaries are entities controlled by the Company. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. See Note 5(a) for further details on the Company's subsidiaries.

(b) *Associates and joint ventures*

Investments in which the Company does have significant influence but not control are classified as equity investments and are accounted for using the equity method, where the Company's share of income or losses are recognized in income or loss and its share of other comprehensive income or loss is recognized in other comprehensive income or loss. When the Company's cumulative share of losses equals or exceeds the Company's carrying amount of the investment, the Company does not recognize further losses unless the Company has incurred obligations or made payments on behalf of the investment. After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss. Any loss is recognized in income or loss.

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

3. Summary of significant accounting policies (continued)

(b) Associates and joint ventures (continued)

A joint arrangement is a contractual arrangement where two or more parties undertake an economic activity that is subject to joint control. Joint control exists when the parties involved in the contractual arrangement agree to share control over the economic activity, and the financial and operating decisions are agreed to be made by unanimous consent of the parties sharing control.

There are two types of joint arrangements: joint operations and joint ventures. A joint operation exists when the parties with joint control have rights to the assets and the obligations for the liabilities. A joint venture exists when the parties with joint control have the rights to the net assets of the arrangement.

The Company has an interest in one joint venture and accounts for this investment using the equity method Note 5(b).

(c) Foreign currency translation

(i) Functional and presentation currency

The Company's presentation currency is the Canadian dollar ("C\$"). Several of Esrey's subsidiaries transact in currencies other than the Canadian dollar. The functional currency of a subsidiary is the currency of the primary economic environment in which the subsidiary operates. During the year ended September 30, 2020, the Company has subsidiaries where the functional currency has been determined to be the United States Dollar and the Papua New Guinea Kina.

The assets and liabilities included in these consolidated financial statements are translated from functional currency to the Company's presentation currency using the exchange rates at period end. Income, expenses and cash flow items included in these consolidated financial statements are translated from functional currency to the Company's presentation currency using the exchange rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). The differences arising upon translation from the functional currency to the reporting currency are recorded as foreign currency translation adjustments in other comprehensive income ("OCI") and remain in OCI until a subsidiary is partially or fully disposed of, or until the Company determines that it is abandoning all of the non-financial assets which are held by that subsidiary. Upon disposal, the corresponding foreign currency translation adjustment is removed from OCI and is recognized as a realized foreign exchange gain or loss in net income.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

3. Summary of significant accounting policies (continued)

(d) *Financial instruments*

(i) *Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses from changes in the fair value of the asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition of the investment.

Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss.

Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(i) *Financial liabilities*

The Company measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(d) *Cash and cash equivalents*

Cash and cash equivalents include cash and short-term money market investments that are readily convertible to cash with original terms of three months or less. The Company had no cash equivalents at September 30, 2020 nor September 30, 2019.

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

3. Summary of significant accounting policies (continued)

(e) Pilot plant and equipment

The cost of the pilot plant and laboratory in Macedonia was comprised of all directly attributable costs necessary to construct and equip the pilot plant. All costs associated with the pilot plant and laboratory were written off during the year ended September 30, 2019.

(f) Project development costs

Project development costs on research activities and on the development of a hydrometallurgical process to produce zinc and other metals from feed waste material were recognized as an expense as incurred.

(g) Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligations at the reporting date.

(h) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in income or loss, except for income taxes relating to items recognized directly in equity or other comprehensive income.

Current income tax, if any, is the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided for using the asset and liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced or not recognized.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that do not affect accounting or taxable profit;
- goodwill; and
- investment in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

3. Summary of significant accounting policies (continued)

(i) *Basic and diluted income (loss) per share*

Basic income (loss) per share is computed by dividing the income (loss) for the year by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. Fully diluted amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. When potentially dilutive securities are anti-dilutive, there is no difference between the basic and diluted income (loss) per share.

(j) *Comprehensive income (loss) and non-controlling interest*

Non-controlling interest is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss).

(k) *Share capital*

(i) *Share-based payments*

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

The fair value, measured at the grant date, of equity-settled share-based payments is charged to profit or loss over the period (or capitalized to the appropriate asset class corresponding to where employees' salaries and costs are capitalized) for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. The fair value of awards is calculated using the Black-Scholes Option Pricing Model and management considers the following factors:

- Exercise price
- Expected life of the award
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Expected forfeitures

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options or warrants are ultimately exercised, the applicable amounts of their fair values in the reserves account are transferred to share capital.

(ii) *Share issuance costs*

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to abandoned share subscriptions are charged to operations.

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

3. Summary of significant accounting policies (continued)

(l) Application of new and revised IFRS

The following accounting policies were adopted by the Company on October 1, 2019 and had a significant impact on the Company's consolidated financial position and results of operations:

Application of IFRS 16

Effective October 1, 2019, the Company adopted IFRS 16 which superseded IAS 17. The most significant effect of the new lease standard is the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use ("ROU") assets and lease liabilities on the statement of financial position, including those for most leases that would have previously been accounted for as operating leases under IAS 17. Both leases with durations of 12 months or less and leases for low-value assets may be exempted.

The Company has an office lease for its headquarters in Vancouver, British Columbia. In accordance with the modified retrospective approach, ROU assets of \$288,584 and lease liabilities of \$288,584 were recognized upon initial adoption of IFRS 16 on October 1, 2019. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include determining contracts that are within the scope of IFRS 16, determining the contract term, and determining the interest rate used for the discounting of future cash flows.

The ROU assets are recognized initially at the value of lease liabilities at recognition with any prepaid payments, initial direct costs and dismantling costs less any lease incentives received. The lease term determined by the Company comprises the non-cancellable period of lease contracts, the period covered by an option to extend the leases, if the Company is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease, if the Company is reasonably certain not to exercise that option. The amortization rate of ROU assets is based on the shorter of the useful life of the underlying asset or the lease term determined. The present value of the lease payment is determined using the discount rate representing the estimated weighted average incremental borrowing rate the Company could secure. There are no restrictions or covenants imposed by the Company's leases.

On May 8, 2020, the landlord gave the Company notice for the early termination of the office lease (Note 10). This resulted in the write-off of the ROU asset and lease liabilities and a gain on termination of lease of \$4,789.

(m) Future accounting pronouncements

The Company has not adopted or early adopted any other new and amended standards and is currently assessing the impact that such standards would have on the consolidated financial statements.

Esrey Resources Ltd.

Notes to the consolidated financial statements
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4. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenue and expenses. 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 net income (loss) and/or comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Judgments and estimates made by management in the application of IFRS that have a significant effect on the consolidated financial statements are discussed below.

Critical accounting estimates

Share-based payments

The Company measures the cost of equity-settled transactions based on the fair value of the equity instruments on the date of grant. 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 stock option, volatility and dividend yield and making assumptions about them. The assumptions used for estimating the fair value for share-based payment transactions, if any, are disclosed in Note 8.

Critical accounting judgments

(a) Determination of control of subsidiaries and joint arrangements

Judgement is required to determine when the Company has control of subsidiaries or joint control of joint arrangements. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Judgement is also required when determining the classification of a joint arrangement as a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement. Changes to the Company's access to those rights and obligations may change the classification of that joint arrangement. Based on assessment of the relevant facts and circumstances, primarily, the requirement for unanimous agreement on management decisions relating to the financing and operation of the arrangement, the Company concluded that EERL Holdings (BVI) Ltd. met the criteria to be classified as a joint venture (Note 6).

The Company also applies judgement to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgement in this determination is whether the component represents a separate major line of business or geographical area of operation.

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4. Critical accounting estimates and judgments (continued)

Critical accounting judgments (continued)

(b) *Income taxes*

Significant judgment is required in determining the provision for 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 applicable tax laws in the jurisdictions in which the Company operates. 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. However, the final outcome may result in a materially different outcome.

In determining its current and deferred tax provisions, the Company must apply judgment when interpreting and applying complex and changing tax laws and regulations. The determination of the appropriate application of these laws and regulations by tax authorities may remain uncertain for several years. The final outcome of such determination could result in amounts different from those initially recorded and would impact current or deferred tax expense in the period in which a determination is made. The determination of deferred tax asset recognition also requires judgment regarding the Company's ability to more likely than not utilize that asset.

(c) *Functional currency*

The Company's functional currency is based on the primary economic environment in which it operates and is based on an analysis of several factors including which currency principally affects sales prices of products sold by the Company, which currency influences the main expenses of providing services, in which currency the Company keeps its receipts from operating activities and in which currency the Company has received financing. Management used its judgment to assess these factors.

(d) *Contingencies*

Due to the nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimates of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

(e) *Going concern*

Concluding that the going concern assumption is appropriate based on the assumption that the Company will have sufficient cash resources to meet its ongoing obligations as they become due in the normal course of operations requires judgement.

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5. Subsidiaries and joint ventures

(a) Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation ⁽¹⁾	Proportion of ownership interest and voting power held at	
			September 30, 2020	September 30, 2019
LNG Energy (BC) Ltd. ("LNG BC")	Holding Company	BC	100%	100%
LNG Exploration Ltd. ("LNG Exploration")	Holding Company	BC	100%	100%
LNG Energy (PNG) Limited ("LNG PNG")	Holding Company	PNG	100%	100%
LNG Energy No. 2 Limited ("LNG No. 2")	Holding Company	PNG	100%	100%
Telemu No. 18 Limited ("Telemu")	Holding Company	PNG	84.25% ⁽²⁾	84.25%
Basin Tishomingo Holdings Inc. ("BTH")	Holding Company	Delaware	100%	100%
EERL (BVI) Ltd. ("EERL BVI")	Holding Company	BVI	100%	100%
Evolution Petroleum Corporation ("EPC")	Holding Company	BVI	100%	100%
Esrey Zinc Holdings Ltd. ("EZH")	Holding Company	Barbados	100%	100%
Esrey Zinc Sales Ltd. ("EZX")	Holding Company	Barbados	100%	100%
Power Zinc Limited ("Power Zinc")	Holding Company	Malta	100%	100%
Power Zinc Limited ("Power Zinc")	Holding Company	Kosovo	100%	100%
Esrey ZM Dooel ("EZM")	Operating Company	Macedonia	100%	100%

(1) The following abbreviations have been used: British Columbia ("BC"), Papua New Guinea ("PNG"), British Virgin Islands ("BVI").

(2) The Company has a direct 68.5% ownership interest and holds an additional 15.75% through its interest in EERL Holdings (BVI) Ltd.

(b) Joint venture

Name of joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held on	
			September 30, 2020	September 30, 2019
EERL Holdings (BVI) Ltd. ("EERL Holdings") (Note 5(c))	Holding Company	BVI	50%	50%

(c) EERL Holdings

As at September 30, 2020, the Company holds a 50% interest in EERL Holdings. The remaining 50% ownership is owned by a third party. EERL Holdings owns 31.5% of Telemu (Note 6). As at September 30, 2020, the investment in EERL Holdings is \$111,727 (September 30, 2019 – \$111,727).

As of September 30, 2020, and 2019, included in amounts receivable and in accounts payable and accrued liabilities are a US\$100,000 (September 30, 2020 - \$133,390; September 30, 2019 - \$132,430) receivable by EERL BVI from EERL Holdings, and a US\$135,500 (September 30, 2020 - \$180,743; September 30, 2019 - \$179,443) payable by Telemu to EERL Holdings. Both the receivable and payable amounts are non-interest bearing and have no fixed date of repayment.

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6. Joint venture – EERL Holdings

As at September 30, 2020, the Company holds a 50% interest in EERL Holdings. The remaining 50% ownership in EERL Holdings is owned by a third party. EERL Holdings owns 31.5% of Telemu. As at September 30, 2020, the investment in EERL Holdings is \$111,727 (September 30, 2019 – \$111,727).

Summarized financial information for EERL Holdings is set out below. This summarized information represents amounts shown in the joint venture's financial statements.

(i) EERL Holdings's net assets

	September 30, 2020	September 30, 2019
Amounts receivable from Telemu	\$ 416,043	\$ 413,050
Accounts payable and accrued liabilities	(140,420)	(139,409)
Net assets	\$ 275,623	\$ 273,641

The amounts receivable from Telemu are denominated in US dollars (September 30, 2020 – US\$311,900 and September 30, 2019 – US\$311,900), are non-interest bearing and have no fixed date of repayment. The corresponding amounts in Telemu were US\$135,500 (\$180,743) recorded in accounts payable and accrued liabilities (Note 5(c)) and US\$176,400 (\$235,300) recorded in loan payable (Note 7).

The accounts payable and accrued liabilities include a payable from EERL Holdings to Telemu of \$133,390 (September 30, 2019 - \$132,430) which is denominated in US dollars (September 30, 2020 and 2019 – US\$100,000), is non-interest bearing and has no fixed date of repayment.

(ii) EERL Holdings's statement of comprehensive income

	2020	2019
Expenses	\$ -	\$ (5,652)
EERL Holdings' share of Telemu's loss	-	-
Net loss	-	(5,652)
Other comprehensive income	1,984	6,297
Total comprehensive income	\$ 1,984	\$ 645

(iii) Reconciliation of summarized financial information

The following table reconciles EERL Holdings' summarized financial information to the carrying value of the Company's interest in the joint venture.

	September 30, 2020	September 30, 2019
Opening net assets	\$ 273,641	\$ 272,996
Net loss	-	(5,652)
Other comprehensive income	1,984	6,297
Closing net assets	\$ 275,625	\$ 273,641
Percentage interest in joint venture	50.00%	50.00%
Interest in joint venture	\$ 137,813	\$ 136,821
Cumulative exchange losses on joint venture net assets	(26,086)	(25,094)
Investment in joint venture	\$ 111,727	\$ 111,727

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7. Loan payable

As at September 30, 2020, the Company's subsidiary, Telemu, has a loan payable to EERL Holdings of \$235,300 (September 30, 2019 - \$233,697). The loan is denominated in US dollars (September 30, 2020 and 2019 – US\$176,400), is non-interest bearing and has no fixed date of repayment (Note 6(i)).

8. Share capital

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued

As at September 30, 2020 and 2019, the Company had 100,175,306 shares issued and outstanding.

(c) Share purchase warrants

The following warrants are outstanding as at September 30, 2020 and 2019:

	Number of Warrants	Exercise Price	Expiry Date
Private Placement warrants - March 29, 2018	12,725,000	\$0.40	March 29, 2023
Private Placement warrants - April 10, 2018	7,270,000	\$0.40	April 10, 2023
Warrants issued as finders' fee	158,100	\$0.40	April 10, 2023
Balance, September 30, 2020 and 2019	20,153,100	\$0.40	

The expiry of the warrants may however be accelerated at the election of the Company in circumstances where the closing price of the Company's shares on the TSX Venture Exchange is equal to or greater than \$0.75 for 20 consecutive trading days. In such case, the Company may give notice to the holders of the Warrants that the Warrants will expire 30 days following such notice.

(d) Share options

The changes in share options during the years ended September 30, 2020 and 2019 were as follows:

	September 30, 2020		September 30, 2019	
	Number of Options	Average Exercise Price	Number of Options	Average Exercise Price
Balance, beginning of the year	3,172,000	\$0.12	5,043,500	\$0.12
Forfeited	(1,665,000)	\$0.14	(1,232,000)	\$0.13
Expired	(1,507,000)	\$0.095	(639,500)	\$0.12
Balance, end of the year	-	\$ -	3,172,000	\$0.12

During the year ended September 30, 2020, 1,507,000 options with an exercise price of \$0.095 expired unexercised and the remaining 1,665,000 stock options were forfeited at an average exercise price of \$0.14, as a result of a change in directors and management of the Company (Note 15) and the termination of employment or relationships of then-option holders to the Company.

There were no options outstanding as at September 30, 2020. Options granted in a prior year and vested during the year ended September 30, 2019 resulted in a share-based payment of \$2,945.

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Notes to the consolidated financial statements
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8. Share capital (continued)

(e) Share appreciation rights plan ("SARs Plan")

On June 21, 2018, the Company's shareholders approved a SARs Plan which authorizes the directors of the Company to grant share appreciation rights ("SARs") to directors, officers, employees and consultants of the Company, excluding consultants performing investor relations activities. Pursuant to a SAR agreement (the "SAR Agreement") a SAR gives the holder the right to receive from the Company a cash payout equal to the difference between the fair market value of the Company's common shares at the time of exercise (determined as the closing price of such shares on the trading day prior to exercise) and the dollar amount set out in the SAR Agreement, which amount shall be not less than the Discounted Market Price (as defined under the policies of the TSX Venture Exchange) of the Company's shares at the time the SAR Agreement is entered into.

The material terms of the SAR Plan include:

- (i) the maximum term of a SAR is ten years from the date of the applicable SAR Agreement;
- (ii) the maximum number of SARs that may be issued under the Plan at any time is 1,000,000 subject to increase with disinterested shareholder approval; and
- (iii) the maximum number of SARs that can be granted to any one person in a 12 month period is a number equal to 1% of the then outstanding shares of the Company.

As at September 30, 2020 and 2019, no SARs have been granted by the Company.

9. Non-controlling interest

The Company has an 84.25% interest in Telemu, an oil and gas company incorporated in PNG. 15.75% of Telemu's equity (deficiency) and total comprehensive loss is allocated to the non-controlling interest using the indirect method. The non-controlling interest during the year ended September 30, 2020 is comprised of the following amounts:

Balance, September 30, 2018	\$	(307,780)
Non-controlling interests' share of Telemu's income		830
Foreign exchange translation		1,180
Balance, September 30, 2019		(305,770)
Non-controlling interests' share of Telemu's loss		(4,348)
Foreign exchange translation		(2,907)
Balance, September 30, 2020	\$	(313,025)

10. Gain on termination of lease

On August 20, 2018, the Company entered into a five-year lease agreement for its head office premises in Vancouver, Canada, effective October 1, 2018 (Note 3(l)). In connection with this lease, the Company had a \$25,973 deposit with the landlord. On May 8, 2020, the landlord gave the Company notice of termination of the lease. On October 22, 2020, a default judgement was served on the Company whereby the Company is required to pay a total of \$70,292 representing unpaid rent, interest and legal costs to the landlord. This amount is recorded under accounts payable and accrued liabilities.

As a result of the default judgement, all amounts relating to the lease, including the right-of-use asset, the deposit and the lease liabilities have been written off, resulting in a gain of \$4,789.

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11. Gain on disposal of stockpile material rights

During the year ended September 30, 2017, the Company acquired stockpile material rights from N.P.T. Geokos, the company which owned the stockpile. The stockpile material rights were contractual rights to the delivery of up to 120,000 tonnes of a zinc-containing stockpile located in Kosovo to the Company for processing or for other uses, including the sale to third parties. The rights had no term.

During the year ended September 30, 2018, the Company determined that it had no plans to process or sell the stockpile and accordingly wrote-off the carrying value of the stockpile material rights, even as it continued to maintain the rights to the stockpile.

During the year ended September 30, 2020, the Company approved the relinquishment of the stockpile material rights back to N.P.T. Geokos for proceeds of US\$100,000 (\$132,430).

12. Income tax

The provision for income taxes reported differs from the amount computed by applying the Canadian federal and provincial income tax rates to the loss for the year before tax due to the following:

	2020	2019
Loss for the year before taxes	\$ (139,542)	\$ (4,756,110)
Statutory rates	27.0%	27.0%
Expected tax recovery	(37,676)	(1,284,150)
Difference in tax rates between foreign jurisdictions and Canada	(576)	237,906
Items not deductible for income tax purposes	11,180	47,494
Other	(5,804)	-
Change in unrecognized tax benefit	32,876	998,750
Income tax recovery	\$ -	\$ -

Deferred tax assets have not been recognized for the following deductible temporary differences:

	September 30, 2020	September 30, 2019
Non-capital loss carry forwards	\$ 129,747,877	\$ 129,648,049
Capital loss carry forwards	1,532,409	1,532,409
Property, plant and equipment	163,944	164,225
Exploration and evaluation assets	9,443,745	9,443,744
Other	2,771,461	2,749,247
	\$ 143,659,436	\$ 143,537,674

The Company's operations are conducted in a number of countries with complex tax legislation pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net profit or loss, tax assets and operating loss carry-forwards. The Company provides for such reassessments when it is probable that a taxation authority will not sustain the Company's filing position and the amount of the tax exposure can be reasonably estimated.

The Company had non-operating losses in Canada, Macedonia and Papua New Guinea. The Company has total non-operating losses of approximately \$129 million available to apply against future income for tax purposes. These losses expire between 2020 and 2040. Deferred tax assets have not been recognized as it is not probable that future taxable profits will be available to utilize the deferred tax assets.

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13. Loss per share from continuing operations

The weighted average number of ordinary shares for the purposes of diluted loss per share reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	Year ended September 30, 2020	Year ended September 30, 2019
Weighted average number of ordinary shares	100,175,306	100,175,306
Effect of dilutive securities:		
Share options and share purchase warrants	-	-
Diluted weighted average number of ordinary shares	100,175,306	100,175,306

As at September 30, 2020, the Company had 20,153,100 (September 30, 2019 – 23,325,100) potential ordinary shares that are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted loss per share.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options and share purchase warrants were based on quoted market prices for the periods during which the options and share purchase warrants were outstanding.

14. Supplemental cash flow disclosure

- (a) The following tables provide further information with regards to the changes in non-cash working capital disclosed in the statement of cash flows:

	Year ended September 30, 2020	Year ended September 30, 2019
Amounts receivable	\$ 98,495	\$ 97,986
Prepaid expenses and deposits	-	121,789
Accounts payable and accrued liabilities	92,449	1,110,690
Net changes in non-cash working capital items	\$ 190,944	\$ 1,330,465

- (b) During the year ended September 30, 2020 the Company recorded a gain on disposal of stockpile material where the cash had been received in a prior year.
- (c) There were no other non-cash transactions that occurred during the years ended September 30, 2019.

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15. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Company and its joint venture are disclosed in Notes 5, 6 and 7. Details of the transactions between the Company and other related parties are disclosed below.

(a) Transactions

During the years ended September 30, 2020 and 2019, the Company's related parties consisted of (a) private companies owned or controlled by executive officers and directors and (b) a private company owned by a family member of one of the Company's directors and (c) an entity partly owned and having a cost-sharing agreement with the Company (see (a)(i)), as follows:

Related party	Nature of transactions involved	Relationship to the Company
Maluti Services Limited ("Maluti")	Management, G&A	CEO until February 27, 2020
Jazz Financial Ltd. ("Jazz")	Management	CFO until September 30, 2019
Pangea Management Corp.	Management	Family member of former CEO
Sterling West Management Ltd. ("Sterling")	Management, G&A	See (i) below
Armex Mining Corp. ("Armex")	Accounts payable	Current CEO (see (i) and (b))

On February 27, 2020, David Cohen, the Company's then President, Chief Executive Officer ("CEO"), director and interim Chief Financial Officer ("CFO") resigned from the Company, along with then directors Paul Larkin and Pablo Marcet. They were replaced by Allen Leschert, who assumed the role of CEO and director, Malcolm Fraser, who assumed the role of interim CFO and director, and W. Joseph Yelder and David Pasko, who joined as the Company's new independent directors.

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors and their relatives.

	Note	Year ended September 30, 2020	Year ended September 30, 2019
Salaries and management fees	(i)	\$ -	\$ 694,436
General and administrative expenses	(i)	5,979	168,293
		\$ 5,979	\$ 862,729

- (i) *The Company was party to a shareholders' cost-sharing agreement with certain other public and private companies (the "Other Companies") pursuant to which the Company and the Other Companies were equal shareholders in Sterling and, through Sterling, shared (on a cost recovery basis) office furnishings, equipment and communications facilities and the employment of various administrative, office and management personnel in Vancouver, B.C., Canada. Costs of the shared office facilities and the shared employees were recovered from the Company in proportion to the time spent by the shared employees on matters pertaining to the Company. During the year ended September 30, 2020, the Company's share of management and overhead costs was \$nil (year ended September 30, 2019 - \$293,223). The cost-sharing arrangement was terminated on February 27, 2020, the date of the change in CEO. The 2020 amounts relate to expenses incurred by new management. The Company accounts for Sterling using the equity method.*

On February 27, 2020, the amount owing to Sterling was \$199,123 (September 30, 2019 – \$185,915). On February 27, 2020, Sterling assigned its \$199,123 receivable to Armex Mining Corp., a private company controlled by Allen Leschert, the Company's current CEO.

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15. Related party transactions (continued)

(b) Compensation of key management personnel

The remuneration of directors and other key members of management personnel during the years ended September 30, 2020 and 2019 were as follows:

	Note	Year ended September 30, 2020	Year ended September 30, 2019
Remuneration		\$ -	\$ 557,506
Directors' fees		-	16,000
Share-based payments	(i)	-	1,100
		\$ -	\$ 574,606

(i) Share-based payments are the fair value of options granted to key management personnel.

The services of the Company's former CEO and CFO were provided pursuant to management services contracts with Maluti and Jazz, respectively. The Company's former CFO resigned on September 30, 2019 and the Company's former CEO resigned on February 27, 2020. Termination payments were not paid with these resignations.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during year ended September 30, 2020 and 2019. Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable and accrued liabilities at February 27, 2020 (the date of the change in CEO) included directors' fees of \$10,000 (September 30, 2019 – \$12,000), consulting fees of \$8,400 (September 30, 2019 – \$8,400), and remuneration of \$580,597 to other key management personnel (September 30, 2019 – \$557,506). On February 27, 2020, \$592,997 of the amounts due to related parties noted above were assigned to Armex Mining Corp., a private company controlled by Allen Leschert, the Company's current CEO. At September 30, 2020 a balance of \$944,763 is owing to these related parties and is included in accounts payable.

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16. Segmented information

Geographic Information

The Company's assets by geographic areas as at September 30, 2020 and 2019 are as follows:

September 30, 2020					
	Papua New Guinea		Macedonia	Canada	Total
Cash and cash equivalents	\$	206,226	\$ -	\$ 401	\$ 206,627
Other current assets		459	-	135,371	135,830
Investment in joint venture		-	-	111,727	111,727
	\$	206,685	\$ -	\$ 247,499	\$ 454,184

September 30, 2019					
	Papua New Guinea		Macedonia	Canada	Total
Cash and cash equivalents	\$	209,894	\$ 6,984	\$ 11,317	\$ 228,195
Other current assets		13,590	74,370	146,365	234,325
Long-term deposit		-	-	25,973	25,973
Investment in joint ventures		-	-	111,727	111,727
	\$	223,484	\$ 81,354	\$ 295,382	\$ 600,220

The Company's expenses and income (loss) by geographic area for the year ended September 30, 2020 and 2019 are as follows:

Year ended September 30, 2020							
	Papua New Guinea		United States	Macedonia	Barbados	Canada	Total
Net income (loss)	\$	(18,288)	\$ 17,000	\$ (67,562)	\$ -	\$ (70,692)	\$ (139,542)
Attributable to							
Non-controlling interest	\$	(4,348)	\$ -	\$ -	\$ -	\$ -	\$ (4,348)
Equity shareholders of the Company		(13,940)	17,000	(67,562)	-	(70,692)	(135,194)
	\$	(18,288)	\$ 17,000	\$ (67,562)	\$ -	\$ (70,692)	\$ (139,542)

Year ended September 30, 2019							
	Papua New Guinea	United States	Macedonia	Barbados	Canada		Total
Net income (loss)	\$ 58,072	\$ 12,412	\$ (3,166,076)	\$ (546,982)	\$ (1,113,536)		\$ (4,756,110)
Attributable to							
Non-controlling interest	\$ 830	\$ -	\$ -	\$ -	\$ -		\$ 830
Equity shareholders of the Company	57,242	12,412	(3,166,076)	(546,982)	(1,113,536)		(4,756,940)
	\$ 58,072	\$ 12,412	\$ (3,166,076)	\$ (546,982)	\$ (1,113,536)		\$ (4,756,110)

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17. Capital management

The Company manages, as capital, the components of shareholders' equity. The Company's objectives when managing capital are to (i) safeguard its ability to continue as a going concern in order to acquire and develop new projects and (ii) to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, or seek loan financing if available on favorable terms.

The Company's policy is to invest its cash in highly liquid, interest-bearing, fully guaranteed bank-sponsored instruments with maturities of a year or less from the date of acquisition. The Company is not subject to externally imposed capital requirements.

18. Financial instruments

The Company's financial instruments consist of cash, amounts receivable, accounts payable and loan payable.

(a) Fair value estimation of financial instruments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount for cash, amounts receivable and accounts payable and loan payable on the statements of financial position approximate their fair value due to the short-term to maturities of these financial instruments. The carrying amount for loans payable approximates its fair value due to the short-term to maturity of this financial instrument.

(b) Financial risk management

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity and funding risk, and market risk. There have been no substantive changes in the Company's exposure to financial instrument risk, the Company's objectives, policies and processes for managing those risks or the methods used to measure them from previous years.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The overall objective of the Board is to set policies that seek to reduce the Company's risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

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18. Financial instruments (continued)

(b) Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk arises principally from the Company's cash and amounts receivable. Cash consists of cash on hand, deposits in major banks that are considered to be creditworthy, and highly liquid investments with an original maturity date of less than one year. Amounts receivable are comprised primarily of amounts due from a related party (Note 5(c)) and GST receivables from the government of Canada. The carrying values of the financial assets represent the maximum credit exposure.

(ii) Liquidity and funding risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and cash equivalents, which are invested in business accounts and are available on demand.

Funding risk is the risk that the Company may not be able to raise financing in a timely manner and on terms acceptable to management. There is no assurance that such financing will be available when, and if, the Company requires additional financing (Note 2(c)).

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The following table summarizes the Company's significant remaining contractual maturities for current liabilities at September 30, 2020 and 2019.

September 30, 2020			
	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	\$ 1,818,712	\$ -	\$ 1,818,712
Loan payable (Note 7)	235,869	-	235,869
Total	\$ 2,054,581	\$ -	\$ 2,054,581
September 30, 2019			
	Less than 1 year	1 - 5 years	Total
Accounts payable and accrued liabilities	\$ 1,831,977	\$ -	\$ 1,831,977
Loan payable (Note 7)	233,679	-	233,679
Lease commitments	129,727	479,302.0	609,029
Total	\$ 2,195,383	\$ 479,302	\$ 2,674,685

Esrey Resources Ltd.

Notes to the consolidated financial statements
(Expressed in Canadian dollars)

18. Financial instruments (continued)

(b) *Financial risk management* (continued)

(iii) *Market risk*

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

(1) *Interest rate risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company has minimal exposure to interest rate fluctuations on its cash and cash equivalent balances due to current low market interest rates. The amounts due to related parties and the loans payable are non-interest bearing.

(2) *Foreign currency risk*

Some of the Company's cash, expenditures, loans and accounts payable are denominated in the US Dollar, Papua New Guinea Kina, Macedonian Denar and European Euro. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the other currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

19. Contingencies

Due to the nature of the Company's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

- (a) During the year ended September 30, 2018, the Company incurred costs for investigating various industrial sites in Macedonia for a suitable location for the Company's then-proposed full-scale hydro-metallurgical zinc processing plant. The costs included 250,000 euros (\$382,135) which the Company paid as a non-refundable deposit for the purchase of a certain parcel of land in Macedonia. The purchase transaction was not successfully consummated as a result of circumstances within the control of the seller. As a result, the Company believes that it has a claim for the refund of the deposit and is pursuing the recovery of the deposit through the legal system in Macedonia. The outcome of this matter is currently uncertain.
- (b) During the year ended September 30, 2019, PRG (a third-party Macedonian company) filed a claim against Esrey ZM, the Company's Macedonian subsidiary, for 824,836 denars (\$19,423) plus interest and procedural costs for unpaid invoices which Esrey ZM had been disputing. Esrey ZM has formally filed an objection to the claim and an appeal to the local court. The Company has recorded this amount in accrued liabilities as at September 30, 2020 and 2019.

While the outcomes of these matters are uncertain, based upon the information currently available, the Company does not believe that these matters in aggregate will have a material adverse effect on its financial statements. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in its financial statements in the period in which such changes occur.