



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019**

**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

**NORTHWAY RESOURCES CORP.**  
For the three and nine months ended December 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

**NORTHWAY RESOURCES CORP.**  
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(Unaudited - Expressed in Canadian Dollars)

	<b>December 31, 2019</b>	<b>March 31, 2019</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	1,502,250	327,993
Receivables	1,616	5,048
Prepaid expenses	15,508	-
	1,519,374	333,041
<b>Exploration and evaluation assets (Note 3)</b>	1,080,863	330,040
	2,600,237	663,081
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 4 and 6)	9,393	78,165
Due to related parties (Note 6)	-	10,000
	9,393	88,165
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	2,699,161	604,001
Reserves (Note 5)	374,390	196,000
Deficit	(482,707)	(225,085)
	2,590,844	574,916
	2,600,237	663,081

Nature of Operations (Note 1)  
Subsequent Events (Note 10)

Approved and authorized by the Board on March 2, 2020

**On behalf of the Board of Directors:**

"Jay Sujir"  
\_\_\_\_\_  
Director

"Jessica Van Den Akker"  
\_\_\_\_\_  
Director

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

**NORTHWAY RESOURCES CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited - Expressed in Canadian Dollars)

	For the three months ended December 31,		For the nine months ended December 31,	For the period from inception on May 29, 2018 to December 31,
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Expenses</b>				
Advertising and marketing	1,695	-	15,585	-
Foreign exchange loss	2,000	-	6,622	-
Insurance expense	6,200	-	9,292	-
Management fees (Note 6)	15,500	-	41,333	-
Office and general	7,311	135	9,807	385
Professional fees (Note 6)	10,030	1,988	66,939	1,988
Property investigation costs	-	-	2,000	-
Rent (Note 6)	3,000	-	4,000	-
Share-based compensation (Note 6)	34,178	-	85,871	196,000
Transfer and filing fees	6,548	-	8,999	-
Travel and related	3,776	-	7,174	-
<b>Loss and comprehensive loss for the period</b>	<b>(90,238)</b>	<b>(2,123)</b>	<b>(257,622)</b>	<b>(198,373)</b>
<b>Basic and diluted loss per share</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>41,386,000</b>	<b>7,000,100</b>	<b>27,991,134</b>	<b>4,331,897</b>

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

**NORTHWAY RESOURCES CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital \$	Reserves \$	Accumulated Deficit \$	Total Shareholders' Equity \$
<b>Balance at May 29, 2018</b>	-	-	-	-	-
Issuance of incorporation shares	101	1	-	-	1
Repurchase and cancellation of incorporation share	(1)	-	-	-	-
Share issued for cash	4,000,000	4,000	-	-	4,000
Share issued for debts settlement	3,000,000	150,000	-	-	150,000
Share-based compensation	-	-	196,000	-	196,000
Net loss for the period	-	-	-	(198,373)	(198,373)
<b>Balance at December 31, 2018</b>	<b>7,000,100</b>	<b>154,001</b>	<b>196,000</b>	<b>(198,373)</b>	<b>151,628</b>
Share issued for cash	7,000,000	350,000	-	-	350,000
Share issued for debts settlement	2,000,000	100,000	-	-	100,000
Net loss for the period	-	-	-	(26,712)	(26,712)
<b>Balance at March 31, 2019</b>	<b>16,000,100</b>	<b>604,001</b>	<b>196,000</b>	<b>(225,085)</b>	<b>574,916</b>
Shares issued for cash	25,386,000	2,538,600	-	-	2,538,600
Share issuance costs	-	(443,439)	92,519	-	(350,920)
Stock options granted	-	-	85,871	-	85,871
Repurchase and cancellation of incorporation shares	(100)	(1)	-	-	(1)
Net loss for the period	-	-	-	(257,622)	(257,622)
<b>Balance at December 31, 2019</b>	<b>41,386,000</b>	<b>2,699,161</b>	<b>374,390</b>	<b>(482,707)</b>	<b>2,590,844</b>

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

**NORTHWAY RESOURCES CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited - Expressed in Canadian Dollars)

	For the nine months ended December 31, 2019	For the period from inception on May 29, 2018 to December 31, 2018
	\$	\$
<b>Cash flows used in operating activities</b>		
Net loss for the period	(257,622)	(198,373)
Item not involving cash		
Share-based compensation	85,871	196,000
	<u>(171,751)</u>	<u>(2,373)</u>
Changes in non-cash working capital items		
Receivables	3,432	-
Prepaid expenses	(15,508)	-
Accounts payable and accrued liabilities	(19,878)	1,988
Due to related parties	-	5,518
	<u>(203,705)</u>	<u>5,133</u>
<b>Cash flows used in investing activities</b>		
Exploration and evaluation assets expenditures	<u>(799,717)</u>	<u>(175,539)</u>
<b>Cash flows from financing activities</b>		
Proceeds for shares repurchased	(1)	-
Proceeds for shares issued	2,538,600	4,001
Share issuance costs	(350,920)	-
Advances from related parties	-	175,000
Repayment to related parties	(10,000)	-
	<u>2,177,679</u>	<u>179,001</u>
<b>Net change in cash</b>	1,174,257	8,595
<b>Cash, beginning of period</b>	<u>327,993</u>	<u>-</u>
<b>Cash, end of period</b>	1,502,250	8,595
Exploration and evaluation assets in accounts payable and accrued liabilities	779	104,319
Shares issued for debt settlement on advances from related parties	-	150,000
Finders' warrant issued for share issuance costs	92,519	-

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

**NORTHWAY RESOURCES CORP.**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

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**NOTE 1 - NATURE OF OPERATIONS**

**Nature of operations**

Northway Resources Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on May 29, 2018. The Company is principally engaged in the acquisition and exploration of mineral properties. On August 22, 2019, the Company completed its Initial Public Offering (“IPO”) and is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “NTW.V”.

The head office of the Company is located at 310 – 119 West Pender Street, Vancouver B.C., V6B 1S5 and the registered and records office of the Company is located at 2080 – 777 Hornby Street, Vancouver B.C., V6Z 1S4.

The Company has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

**Going concern**

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that 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 not generated revenues from its operations to date. As at December 31, 2019, the Company has accumulated net losses of \$482,707 since inception and has working capital of \$1,509,981. The operations of the Company have primarily been funded by the issuance of common shares. These condensed interim consolidated 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 in existence. Management estimates its current working capital will be sufficient to fund its current level of activities for the next twelve months.

If the going concern assumption was not appropriate for these condensed interim consolidated financial statements, then adjustments may be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

**Statement of compliance**

These condensed interim consolidated 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 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 audited financial statements of the Company for the period ended March 31, 2019.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 2, 2020.



**NORTHWAY RESOURCES CORP.**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)**

**Basis of presentation**

These condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at fair value. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 1223437 B.C. Ltd., Northway Resources Alaska Corporation, 1223615 B.C. Ltd., and Northway Napoleon Corporation. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

**Use of estimates and judgments**

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

Significant areas requiring the use of management estimates and judgments include:

- (i) The determination of the fair value of the shares of the Company for the calculation of the share-based compensation.
- (ii) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to identify new business opportunities and working capital requirements, the outcome of which is uncertain.
- (iii) The determination that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

**Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

## NORTHWAY RESOURCES CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

### NOTE 3 - EXPLORATION AND EVALUATION ASSETS

	Healy	Napoleon	Total
	\$	\$	\$
<b>Balance, May 29, 2018</b>	-	-	-
Property acquisition and staking costs	-	41,085	41,085
<i>Exploration expenditures:</i>			
Accommodation and related	16,129	-	16,129
Assays	52,433	-	52,433
Claim maintenance fees	76,021	-	76,021
Consulting	18,946	-	18,946
Data analysis	10,500	-	10,500
Geological	108,400	-	108,400
Supplies and fuel	6,526	-	6,526
<b>Balance, March 31, 2019</b>	<b>288,955</b>	<b>41,085</b>	<b>330,040</b>
Property acquisition and staking costs	29,154	-	29,154
<i>Exploration expenditures:</i>			
Accommodation and related	38,076	735	38,811
Analytical	49,317	-	49,317
Claim maintenance fees	86,525	9,976	96,501
Consulting	106,320	735	107,055
Drilling	236,666	-	236,666
Geophysics	10,495	-	10,495
Helicopter	156,327	-	156,327
Legal and permitting	4,366	-	4,366
Travel and related	22,131	-	22,131
<b>Balance, December 31, 2019</b>	<b>1,028,332</b>	<b>52,531</b>	<b>1,080,863</b>

#### Healy property

On July 31, 2018, the Company entered into an agreement (later amended in May 2019) with Newmont North America Exploration Limited (“Newmont”) to acquire, by way of contribution (the “Contribution”), up to 70% of a property located in Fairbanks Recording District, Alaska (the “Healy Property”).

The Company is entitled to acquire a 70% interest in the Healy Property upon incurring aggregate expenditures of US\$4,000,000 on the property during the phase 1 period of the Contribution.

The following is a summary of the Contribution earn-in requirements:

	Exploration Requirement US\$	Aggregate Exploration Requirement US\$
On or before November 30, 2018	(incurred) 140,000	140,000
On or before December 31, 2020	(incurred) 360,000	500,000
On or before December 31, 2021	1,500,000	2,000,000
On or before December 31, 2022	2,000,000	4,000,000

## NORTHWAY RESOURCES CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

### NOTE 3 - EXPLORATION AND EVALUATION ASSETS (continued)

#### Healy property (continued)

Pursuant to the agreement, the Company is required to fund US\$140,000 by November 30, 2018 (incurred) and US\$360,000 (incurred) by December 31, 2020, totaling US\$500,000 ("Mandatory Phase 1 Expenditures"). The Company may terminate the Contribution at any time, in its discretion, subject to satisfying any accrued obligations or liabilities including Mandatory Phase 1 Expenditures, as required.

Upon completing the Phase 1 earn-in requirement on the Healy Property, the value of the Company's initial contribution shall be deemed to be US\$4,000,000 (70% interest) and the value of Newmont's initial contribution shall be deemed to be US\$1,715,000 (30% interest). From and after the date on which the Company completes the Phase 1 earn-in requirement on the Healy Property, the Company and Newmont shall fund an adopted program on a pro-rata basis in accordance with their respective participating interests.

#### Napoleon property

The property is located in Fortymile District, Alaska and was acquired by staking with a payment of \$41,085.

### NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	March 31, 2019
	\$	\$
Accounts payable	2,845	52,640
Accrued liabilities	6,548	25,525
	<b>9,393</b>	<b>78,165</b>

### NOTE 5 - SHARE CAPITAL AND RESERVES

#### Authorized share capital

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

#### Issued share capital

In May 2018, the Company issued 101 common shares at a price of \$0.01 per share for gross proceed of \$1 of which 1 share was then repurchased and cancelled. In April 2019, the remaining 100 common shares were repurchased and cancelled by the Company.

In July 2018, the Company issued 4,000,000 common shares at a value of \$0.05 per share. The Company received gross proceed of \$4,000 and recorded \$196,000 as share-based compensation expense for the share issuance.

In September 2018, the Company issued 3,000,000 units at a value of \$150,000 to settle \$150,000 of debt. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 per share for five years.

In January 2019, the Company issued 2,000,000 units at a value of \$100,000 to settle \$100,000 of accounts payable. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 per share for five years.

## NORTHWAY RESOURCES CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

### NOTE 5 - SHARE CAPITAL AND RESERVES (continued)

#### Issued share capital (continued)

In March 2019, the Company completed a non-brokered private placement of 7,000,000 units at a price of \$0.05 per unit for gross proceeds of \$350,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 per share for five years.

In August 2019, the Company completed its IPO of 18,486,000 common shares at a price of \$0.10 per common share for gross proceeds of \$1,848,600 and incurred commission and other expenses totaling \$304,720. The Company issued 1,294,020 finders' warrants to its agent exercisable at a price of \$0.10 per share for a period of 24 months, valued at \$68,178, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk free interest rate of 1.33%, volatility of 100% and nil forecasted dividend yield.

In August 2019, the Company completed a private placement of 6,900,000 shares at a price of \$0.10 per share for gross proceeds of \$690,000 and incurred commission of \$46,200. The Company issued 462,020 finders' warrants to its agent exercisable at a price of \$0.10 per share for a period of 24 months, valued at \$24,341, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk free interest rate of 1.33%, volatility of 100% and nil forecasted dividend yield.

As at December 31, 2019, the Company has 14,400,000 shares subject to escrow pursuant to the requirements of the TSX-V, and will be released through August 2022.

#### Share purchase warrants

In connection with the debt settlements in September 2018 and January 2019, and the March 2019 private placement, the Company issued 12,000,000 warrants with an exercise price of \$0.10 per warrant.

In connection with the IPO and private placement in August 2019, the Company issued 1,756,020 warrants with an exercise price of \$0.10 per warrant.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, May 29, 2018	-	-
Issued	12,000,000	0.10
Balance, March 31, 2019	12,000,000	0.10
Issued	1,756,020	0.10
<b>Balance, December 31, 2019</b>	<b>13,756,020</b>	<b>0.10</b>

## NORTHWAY RESOURCES CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

### NOTE 5 - SHARE CAPITAL AND RESERVES (continued)

#### Share purchase warrants (continued)

A summary of the warrants outstanding and exercisable at December 31, 2019 is as follows:

Number of Warrants	Exercise Price \$	Expiry Date
1,294,020	0.10	August 22, 2021
462,000	0.10	August 28, 2021
3,000,000	0.10	September 15, 2023
2,000,000	0.10	January 25, 2024
7,000,000	0.10	March 19, 2024
13,756,020		

#### Stock options

In August 2019, the Company granted 2,000,000 stock options to its director, officers and consultants with an exercise price of \$0.10 for a period of five years vest 25% immediately, and 25% every six months thereafter, with a fair value of \$148,819, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.17%, volatility of 100% and nil forecasted dividend yield. During the nine months ended December 31, 2019, the Company expensed a total of \$85,871 (December 31, 2019 - \$nil) as share-based compensation for values of stock options vested.

Stock options transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, May 28, 2018 and March 31, 2019	-	-
Granted	2,000,000	0.10
<b>Balance, December 31, 2019</b>	<b>2,000,000</b>	<b>0.10</b>

A summary of the stock options outstanding and exercisable at December 31, 2019 is as follows:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
2,000,000	500,000	0.10	August 22, 2024

**NORTHWAY RESOURCES CORP.**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 - RELATED PARTY TRANSACTIONS AND BALANCES**

During the nine months ended December 31, 2019, the Company entered into the following transaction with related parties, not disclosed elsewhere in these consolidated financial statements:

- Incurred exploration expenditures of \$427,047 (December 31, 2018 - \$100,952) and rent of \$4,000 (December 31, 2018 - \$nil) and recorded share-based compensation of \$nil (December 31, 2018 - \$196,000) to a company related by a common director and officer. The exploration expenditure amount also includes a 10% fee on the exploration costs incurred on behalf of the Company.
- As at December 31, 2019, \$nil (March 31, 2019 - \$45,066) was included in accounts payable and accrued liabilities owing to an officer and director and companies controlled by an officer and related by a common officer and director in relation to management fees and reimbursement of expenses.
- As at March 31, 2019, the Company owed \$10,000 to two directors of the Company for overpayment of share subscriptions. The balance were repaid subsequent to March 31, 2019.

Summary of key management personnel compensation:

Key management personnel includes 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 consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

	<b>For the nine months ended December 31, 2019</b>	<b>For the period from inception on May 29, 2018 to December 31, 2018</b>
	\$	\$
Management fees	41,333	-
Professional fees	262	-
Share-based compensation	62,256	-
	<b>103,851</b>	<b>-</b>

**NOTE 7 - FINANCIAL RISK AND CAPITAL MANAGEMENT**

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

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

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

**NORTHWAY RESOURCES CORP.**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
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**NOTE 7 - FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) 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 held in major Canadian financial institutions and its receivables are due from the Government of Canada. As such, the Company determined that it is not exposed to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at December 31, 2019, the Company has sufficient cash to settle its current liabilities. The Company will require additional funding to meet its long-term exploration obligations.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

d) Currency risk

The Company conducts exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates of the Canadian and US dollars. As at December 31, 2019, the Company had a net asset of US\$117,794. A 10% fluctuation in the exchange rate of the United States dollar against the Canadian dollar would affect the Company's cash and account payable by approximately \$11,800.

e) Commodity price risk

The ability of the Company to raise funds to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of gold and other precious metals. The Company monitors gold and precious metals prices to determine the appropriate course of action to be taken.

**NOTE 8 - SEGMENTED DISCLOSURE**

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. All non-current assets of the Company are located in the USA.

**NOTE 9 - CAPITAL MANAGEMENT**

The Company considers its capital to be comprised of shareholders' equity. 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. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the nine months ended December 31, 2019. The Company is not subject to any externally imposed capital requirements.

## **NORTHWAY RESOURCES CORP.**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019  
(Unaudited - Expressed in Canadian Dollars)

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### **NOTE 10 – SUBSEQUENT EVENTS**

In February 2020, the Company acquired a proprietary exploration database from Millrock Exploration Corp. and its affiliate (collectively "Millrock") relating to the Napoleon Project. As consideration, the Company granted to Millrock a 0.5% net smelter returns royalty on the Napoleon property and areas of interest, one-half of which may be acquired by the Company, at any time, for a onetime payment of US\$500,000 and is required to make an annual advance royalty payment of US\$1,000.

In February 2020, 250,000 stock options expired unexercised.