MAGNETIC NORTH ACQUISITION CORP.

(FORMERLY BLACK BULL RESOURCES INC.)

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

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Independent Auditor's Report

To the Shareholders of Magnetic North Acquisition Corp (formerly Black Bull Resources Inc)

Opinion

We have audited the financial statements of Magnetic North Acquisition Corp (formerly Black Bull Resources Inc) ("the Company"), which comprise the statements of financial position as at September 30, 2019 and September 30, 2018 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and September 30, 2018, 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 audits 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 audits 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 1 to the financial statements which describes the material uncertainty 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:

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

Independent Auditor's Report (continued)

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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 Todd Freer.

Calgary, Canada	**"Crowe MacKay LLP"**
January 28, 2020	**Chartered Professional Accountants**

Magnetic North Acquisition Corp. (Formerly Black Bull Resources Inc.)
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at September 30, 2019	As at September 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	$ **1,452,417**	$ 28,195
Receivables (note 4)	**16,667**	1,870
Prepaid expenses	**12,661**	8,487
Other assets (note 8)	**301,223**	295,511
Deferred costs (note 22)	**405,102**	-
Total current assets	**2,188,070**	334,063
Non-current assets		
Mineral claims (note 5)	**1**	1
Exploration and evaluation assets (note 6)	**1**	1
Property, plant and equipment (note 7)	**3**	463
Total assets	$ **2,188,075**	$ 334,528
SHAREHOLDERS' EQUITY (DEFICIENCY) AND LIABILITIES		
Current liabilities		
Payable and accrued liabilities (notes 12 and 17)	$ **311,657**	$ 122,164
Demand loans (note 15)	**38,220**	351,024
Deposit (note 10)	**-**	53,778
Asset retirement obligation (note 11)	**266,891**	262,097
Total liabilities	**616,768**	789,063
Shareholders' equity (deficiency)		
Common shares (note 13)	**25,262,672**	23,588,518
Series A Preferred shares (note 13)	**1,819,870**	-
Contributed surplus (note 13)	**2,070,133**	2,070,133
Accumulated deficit	**(27,581,368)**	(26,113,186)
Total shareholders' equity (deficiency)	**1,571,307**	(454,535)
Total shareholders' equity (deficiency) and liabilities	$ **2,188,075**	$ 334,528

Nature of operations and going concern (note 1)
Subsequent events (note 22)

Approved on behalf of the Board of Directors:

"Kevin Spall ", Director

"Andrew Osis ", Director

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

Magnetic North Acquisition Corp. (Formerly Black Bull Resources Inc.)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Years Ended September 30, 2019	2018
Expenses		
Operation and overhead	**$ 20,137**	$ 33,914
Amortization (note 7)	**460**	197
Sales and marketing	**481**	420
General and administrative (note 16)	**198,183**	78,750
Total expenses	**219,261**	113,281
Loss before other items	**(219,261)**	(113,281)
Other items		
Accretion (note 11)	**(4,794)**	(4,794)
Interest income	**5,873**	3,325
Impairment of advances to private companies (note 9)	**(1,250,000)**	-
Net and comprehensive loss for the year	**$ (1,468,182)**	$ (114,750)
Net and comprehensive loss per share - Basic and Diluted	**$ (0.16)**	$ (0.03)
Weighted average number of common shares - Basic and Diluted	**9,067,356**	3,552,287

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

Magnetic North Acquisition Corp. (Formerly Black Bull Resources Inc.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended September 30, 2019	2018
Operating activities		
Net and comprehensive loss for the year	**$ (1,468,182)**	$ (114,750)
Adjustments for:		
Amortization	**460**	197
Accretion on asset retirement obligation	**4,794**	4,794
Impairment of advances to private companies	**1,250,000**	-
Changes in non-cash working capital items:		
Receivables	**(14,797)**	2,043
Prepaid expenses	**(4,174)**	1,698
Deferred costs	**(385,950)**	-
Payable and accrued liabilities	**189,493**	(7,032)
Net cash used in operating activities	**(428,356)**	(113,050)
Investing activities		
Other assets	**(5,712)**	(3,782)
Advances to private companies	**(1,250,000)**	-
Net cash used in investing activities	**(1,255,712)**	(3,782)
Financing activities		
Demand loans	**53,220**	108,595
Proceeds from private placements	**3,104,990**	-
Share issue costs	**(49,920)**	-
Net cash provided by financing activities	**3,108,290**	108,595
Net change in cash and cash equivalents	**1,424,222**	(8,237)
Cash and cash equivalents, beginning of year	**28,195**	36,432
Cash and cash equivalents, end of year	**$ 1,452,417**	$ 28,195
Cash and cash equivalents		
Cash	**$ 177,336**	$ 5,407
Guaranteed investment certificates	**22,788**	22,788
Funds held in trust	**1,252,293**	-
	$ 1,452,417	$ 28,195
Supplemental information		
Interest received	**$ 5,873**	$ 3,325
Non-cash transactions:		
Shares issued for finders' fees (note 13(b)(iii)	**$ 50,000**	$ -
Shares issued for debt settlement (note 13(b)(iv)	**$ 438,954**	$ -

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

Magnetic North Acquisition Corp. (Formerly Black Bull Resources Inc.)
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Common Shares		Series A Preferred Shares		Contributed Surplus	Accumulated Deficit	Shareholders' Equity (Deficiency)
	Number (#)	Amount ($)	Number (#)	Amount ($)			
Balance, September 30, 2017	**3,552,287**	**$ 23,588,518**	**-**	**$ -**	**$ 2,070,133**	**$ (25,998,436)**	**$ (339,785)**
Net and comprehensive loss for the year	-	-	-	-	-	(114,750)	(114,750)
Balance, September 30, 2018	**3,552,287**	**23,588,518**	**-**	**-**	**2,070,133**	**(26,113,186)**	**(454,535)**
Private placement (note 13(b)(i)(ii)(iii))	12,532,000	1,253,200	185,179	1,851,790	-	-	3,104,990
Share issue costs (note 13(b)(i)(ii)(iii))	-	(68,000)	-	(31,920)	-	-	(99,920)
Share issued for finders' fees (note 13(b)(iii))	500,000	50,000	-	-	-	-	50,000
Common shares issued for debt settlement (note 13(b)(iv))	4,466,818	438,954	-	-	-	-	438,954
Common shares issued in escrow (note 13(b)(v))	38,000,000	3,800,000	-	-	-	-	3,800,000
Subscriptions receivable (note 13(b)(v))	-	(3,800,000)	-	-	-	-	(3,800,000)
Net and comprehensive loss for the year	-	-	-	-	-	(1,468,182)	(1,468,182)
Balance, September 30, 2019	**59,051,105**	**$ 25,262,672**	**185,179**	**$ 1,819,870**	**$ 2,070,133**	**$ (27,581,368)**	**$ 1,571,307**

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

1. Nature of operations and going concern

Magnetic North Acquisition Corp. (the "Company" or "Magnetic North") (formerly "Black Bull Resources Inc.") with the registered and head office at P.O. Box 698 Shelburne, Nova Scotia was incorporated under the Business Corporations Act (Alberta) on July 18, 1997. On June 12, 2008 the Company continued under the Canada Business Corporations Act.

The Company is in the business of mining, processing, and marketing quartz from its White Rock claim in Nova Scotia, Canada. The Company also investigated the commercialization of its kaolin resource.

On October 22, 2019, the Company completed an asset purchase transaction with a group of investment and business professionals to effect an arm's length "Change of Business" (as defined in Policy 5.2 of the TSXV) transaction (the "Transaction") within the meaning of such terms in the policies of the TSXV. With the completion of the Transaction, the Company changed its primary business to merchant banking and changed its name to Magnetic North Acquisition Corp. The common shares of the Company resumed trading on the TSXV under the symbol MNC (see note 22).

These financial statements were approved by the board of directors on January 28, 2020.

While the financial statements have been prepared based on accounting principles applicable to a going concern, several adverse conditions and events cast significant doubt upon the validity of this assumption.

The Company continues to incur significant operating losses. The Company has no revenue-generating operating activities and has a significant accumulated deficit. The Company has incurred losses in prior periods, with a current net and comprehensive loss of $1,468,182 during the year ended September 30, 2019 (year ended September 30, 2018 - loss of $114,750) and has an accumulated deficit of $27,581,368 (September 30, 2018 - $26,113,186). As at September 30, 2019, the Company had working capital of $1,571,302 (September 30, 2018 - working capital deficiency of $455,000). Such material uncertainties cast substantial doubt as to the ability of the Company to satisfy its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company’s continued existence is dependent upon maintaining control of its mineral resources until such time as the market improves as well as its new line of business of merchant banking. However, there can be no assurances that the steps management is taking will be successful. Management’s opinion is that the Company will conserve its cash resources while the Company pursues its strategic initiatives.

If the going concern assumption were not appropriate for these financial statements, adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

2. Significant accounting policies

Statement of compliance

These financial statements for the years ended September 30, 2019 and 2018, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of measurement

The accounting policies applied to these financial statements are presented below and are based on IFRS issued and outstanding as of September 30, 2019. These financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

2. Significant accounting policies (continued)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the recoverable values and useful lives of property, plant and equipment, timing and costs used to determine expected asset retirement obligations, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

(a) Cash and cash equivalents

Cash and cash equivalents include amounts held on deposit and cashable guaranteed investment certificates with financial institutions and funds held in trust.

(b) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is a method to write off the cost of the assets. Amortization is based on the asset's estimated useful life using either the declining-balance (DB) or straight-line (SL) method. The depreciation rates applicable to each category of property and equipment are as follows:

Buildings	10% DB
Equipment	20% DB
Computer equipment	30% DB
Leasehold improvements	50% SL
Site improvements	20% SL

Amortization of buildings and equipment commence when they are commercially utilized; other property, plant and equipment are amortized 50% of the given rate in the first year.

2. Significant accounting policies (continued)

(c) Mineral claims

The cost of mineral properties are capitalized until the properties are placed into production, sold or abandoned. These costs are amortized on a unit- of-production basis following the commencement of production or written-off if the properties are sold or abandoned. If the properties are impaired in value, an appropriate charge will be made at the time.

Costs include the cash consideration and the fair market value of share and options issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is to be under development and is classified as development properties. The carrying value of capitalized mineral claims is transferred to development properties after being tested for impairment.

The recorded carrying value of mineral claim costs represents costs incurred, net of impairments, and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic reserves or the sale of mineral rights.

On an on-going basis, the Company evaluates each mineral property based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. If there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written-down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or non-compliance with regulatory requirements.

(d) Exploration and evaluation expenditures

Exploration costs are capitalized until the properties are placed into production, sold or abandoned. These costs are amortized on a unit- of-production basis following the commencement of production or written-off if the properties are sold or abandoned. If the properties are impaired in value, an appropriate charge will be made at the time.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

The carrying amount of exploration costs represents costs incurred, net of impairments, and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic reserves or the sale of mineral rights.

On an ongoing basis, the Company evaluates each mineral property based on results obtained to date to determine the nature of exploration, other assessment and development work, if any, that is warranted in the future and the potential for recovery of the capitalized costs. If there is little prospect of future work on a property being carried out within a three-year period from completion of previous activities, the deferred costs related to that property are written-down to the estimated amount recoverable unless there is persuasive evidence that an impairment allowance is not required.

2. Significant accounting policies (continued)

(e) Revenue recognition

Interest income is recognized when earned.

(f) Asset retirement obligation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money and risks specific to the liability, are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

(g) Stock-based compensation

The Company has a stock-based compensation plan as described in note 14. The Company accounts for stock options using the fair-value method, whereby compensation expense for stock options is measured at the fair value at the grant date and is recognized over the vesting period of the options granted. The Company uses the Black-Scholes model to estimate fair value.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(h) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies (continued)

(h) Income taxes (continued)

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(i) Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding. The weighted average is calculated based on the number of days outstanding during the reporting periods.

Diluted loss per share is determined as net loss divided by the weighted average number of diluted common shares outstanding for the period. Diluted common shares reflect the potential dilutive effect of exercising stock options or warrants based on the treasury-stock method.

The Company does not have any dilutive instruments outstanding as at September 30, 2019 and 2018.

(j) Impairment of long-lived assets

The carrying amount of the Company's assets (which include property, plant and equipment, mineral claims and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. Significant accounting policies (continued)

(k) Financial Instruments

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 retrospectively on October 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the comparative financial information. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

Below is a summary showing the classification and measurement bases of our financial instruments as at October 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	Amortized cost
Receivables	Loans and receivables	Amortized cost
Payable and accrued liabilities	Other financial liabilities	Amortized cost
Demand loans	Other financial liabilities	Amortized cost

The original carrying value of the Company’s financial instruments under IAS 39 has not changed under IFRS 9.

Accounting policy under IFRS 9

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVTPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

2. Significant accounting policies (continued)

(k) Financial Instruments (continued)

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Subsequent measurement – financial assets at FVTPL
Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the statements of financial position with changes in fair value recognized in the statements of loss. The Company's advances to private companies are measured at FVTPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's financial assets subject to impairment are receivables. The Company has elected to apply the simplified approach to impairment for receivables as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include payable and accrued liabilities and demand loans which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss and comprehensive loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in the statements of loss and comprehensive loss.

2. Significant accounting policies (continued)

(l) Business Combinations

In a business combination, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition. Preliminary fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustments to those preliminary fair values effective as at the acquisition date. Acquisition related costs are expensed as incurred.

Purchase consideration may also include amounts payable if future events occur or conditions are met. Any such contingent consideration is measured at fair value and included in the purchase consideration at the acquisition date. Subsequent changes to the estimated fair value of contingent consideration are recorded through the statements of loss and comprehensive loss, unless the preliminary fair value of contingent consideration as at the acquisition date is finalized before the twelve month measurement period in which case the adjustment is allocated to the identifiable assets acquired and liabilities assumed retrospectively to the acquisition date.

Where the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. A gain is recorded through the statements of loss and comprehensive loss if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

Non-controlling interests represent the fair value of net assets in subsidiaries that are not held by the Company as at the date of acquisition. Non-controlling interests are presented in the equity section of the statements of financial position.

(m) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in share capital. Shares issued for consideration other than cash are valued based on their market value at the date of the share issuance.

(n) Investments

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit (loss).

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statements of loss and comprehensive loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the statements of loss and comprehensive loss within net change in unrealized gains or losses on investments in the period in which they arise.

The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the financial statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (note 19).

2. Significant accounting policies (continued)

(n) Investments (continued)

Private investments

All privately-held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in note 19.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

(o) Recent accounting pronouncement

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after October 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

(ii) IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. As at October 1, 2019, the Company will adopt IFRS 16 which will not have any impact on the Company's financial position.

(Expressed in Canadian Dollars)

3. Restricted cash

The Company has provided an assignment of cash as security on the irrevocable standby letter of credit to the Province of Nova Scotia (note 8) and for corporate credit card liabilities. As at September 30, 2019, $17,400 (2018 - $17,400) was held in a guaranteed investment certificate as security.

4. Receivables

	As at September 30, 2019	As at September 30, 2018
Sales tax receivable - (Canada)	**$ 16,667**	$ 1,870

As at September 30, 2019, the estimated credit losses are $nil (2018 - $nil).

5. Mineral claims

	2019	2018
Cost, beginning and end of year	**$ 972,183**	$ 972,183
Accumulated depletion, beginning and end of year	**(14,381)**	(14,381)
Accumulated impairment, beginning and end of year	**(957,801)**	(957,801)
Accumulated depletion and impairment, beginning and end of year	**(972,182)**	(972,182)
Carrying value end of year	**$ 1**	$ 1

On July 13, 2018, the Company entered into an option agreement with Infrastructure Commodities Limited ("InfCom"), a related party by virtue of a common officer and director. Under the terms of the agreement, the Company granted InfCom the sole and exclusive right and option to explore and mine the Company's White Rock property located in Yarmouth County, Nova Scotia. In consideration of the grant of the option, InfCom will pay to the Company 50% of the net after tax profits from the sale of quartz, kaolin and mica products mined at the property.

The agreement is subject to several conditions to closing as follows:

- Within 1 month of the option grant date, and no later than July 28, 2018, InfCom must prepare a paper describing the anticipated exploitation prospects to facilitate the preparation of a bankable report;
- Within 3 months of the option grant date, and not later than October 28, 2018, InfCom must:

  a) Research and prepare a review of the applicable quartz market for use in preparing a plan for exploiting the quartz prospects on the property;
  b) Prepare a report on options to pre-treat feedstock prior to delivery to high value clients;
  c) Preview potential offtake partners in the USA, Canada, EU and Asia for higher-end market opportunities;
  d) Preview potential exploitation partners; and
  e) Preview prospects for beneficiation technology located in Nova Scotia.

- Within 4 months of the option grant date, and not later than November 30, 2018, InfCom must:

  a) Outline the prospective project value and return to investors in a pre-bankable report; and
  b) Prepare an outline of a budget for completion of due diligence and a bankable report on the exploitation of the quartz, kaolin and mica assets on the property.

- Within 6 months of the option grant date, and not later than January 31, 2019, InfCom must be prepared to review project possibilities with the Company for the way forward for exploitation of the property for quartz, kaolin and mica production and sale of aforesaid.

(Expressed in Canadian Dollars)

5. Mineral claims (continued)

InfCom has not complied with the terms of the agreement and the option has lapsed.

Subsequent to September 30, 2019, the Company has executed an Indicative Offer of Finance with respect to the Company's White Rock property (see note 22(iii)).

6. Exploration and evaluation assets

	2019	2018
Cost, beginning and end of year	**$ 2,994,903**	$ 2,994,903
Accumulated depletion, beginning and end of year	**(48,659)**	(48,659)
Accumulated impairment, beginning and end of year	**(2,946,243)**	(2,946,243)
Accumulated depletion and impairment, beginning and end of year	**(2,994,902)**	(2,994,902)
Carrying value end of year	**$ 1**	$ 1

7. Property, plant and equipment

Cost	Computer Equipment	Water Treatment Equipment	Water Treatment Building	Leasehold Improvements	Site Improvements	Total
As at September 30, 2017, 2018 and 2019	**$ 43,132**	**$ 107,872**	**$ 105,822**	**$ 17,115**	**$ 216,210**	**$ 490,151**

Accumulated amortization and impairments	Computer Equipment	Water Treatment Equipment	Water Treatment Building	Leasehold Improvements	Site Improvements	Total
Balance, September 30, 2017	**$ 42,475**	**$ 107,871**	**$ 105,821**	**$ 17,115**	**$ 216,209**	**$ 489,491**
Amortization	197	-	-	-	-	197
Balance, September 30, 2018	**42,672**	**107,871**	**105,821**	**17,115**	**216,209**	**489,688**
Amortization	460	-	-	-	-	460
Balance, September 30, 2019	**$ 43,132**	**$ 107,871**	**$ 105,821**	**$ 17,115**	**$ 216,209**	**$ 490,148**

Carrying value	Computer Equipment	Water Treatment Equipment	Water Treatment Building	Leasehold Improvements	Site Improvements	Total
Balance, September 30, 2018	**$ 460**	**$ 1**	**$ 1**	**$ -**	**$ 1**	**$ 463**
Balance, September 30, 2019	**$ -**	**$ 1**	**$ 1**	**$ -**	**$ 1**	**$ 3**

8. Other assets

Other assets consist of funds held under the National Resources Reclamation Fund by the Province of Nova Scotia.

In addition, an irrevocable standby letter of credit of $17,400 (2017 - $17,400) has been issued to the Province of Nova Scotia (note 3).

(Expressed in Canadian Dollars)

9. Advances to private companies

During the year ended September 30, 2019, the Company advanced $1,000,000 and $250,000 to Previcare Corp. and Foamtech North America Ltd., respectively. The advances do not bear interest, are unsecured and have no additional terms and conditions. Given the lack of financial information required to determine fair value, the Company has recorded a fair value adjustment of $1,250,000 to reduce the carrying value to $nil at September 30, 2019. See note 22(v).

10. Deposit

The Company entered into an arm's length Share Exchange Agreement (the "Share Exchange Agreement") dated April 23, 2014, for the acquisition by the Company of all of the issued and outstanding shares of AUS Industrial Minerals Limited ("AUS"), a privately held company incorporated under the laws of British Columbia and wholly owned by AUS Streams.

On November 6, 2015, AUS Streams sold AUS Industrial Minerals Limited to DWF Capital Limited ("DWF"), a private equity group in Australia. DWF has re-named AUS Industrial Minerals Limited, to Renewable Energy Minerals Limited ("REM"). As a result, the proposed take-over transaction was with REM, a private company that is wholly owned by DWF.

Pursuant to the Share Exchange Agreement, AUS advanced a non-refundable deposit in the amount of US$50,000 (CDN $53,778) in favour of the Company. In exchange, the Company agreed to issue 333,333 common shares, of the Company at a deemed issue price $0.15 on the closing date, subject to the prior approval of the TSXV.

These funds have been used to fund the legal requirements of the Share Exchange Agreement. To date, the Company has dispersed the total amount of $53,778 on transaction-related expenditures, which have been expensed in the period incurred.

During the year ended September 30, 2017, the Share Exchange Agreement was terminated by the Company. The Company and REM had not reached an agreement as to settlement of the deposit hence the balance continued to be recognized as a liability on the statement of financial position as at September 30, 2018. On August 29, 2019, the liability of $53,778 was settled through the issuance of 537,780 common shares at $0.10 per common share.

11. Asset retirement obligation

The Company's total asset retirement obligation is estimated based on the Company's net ownership interest in mineral leases and management's estimate of costs to abandon and reclaim these leases, as well as an estimate of the future timing of the costs to be incurred. Under the terms of the agreement with the Province of Nova Scotia, the Company is obligated to update its reclamation plan every three years.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant. The total undiscounted amount of the estimated cash flows required to settle its asset retirement obligations are approximately $266,891 (2018 - $262,097) which are expected to be settled over the next year. A risk-free interest rate of nil% (due to the nature of the liability being current) and an inflation rate of 2% were used to calculate the liability.

Balance at September 30, 2017	**$**	**257,303**
Accretion		4,794
Balance at September 30, 2018		**262,097**
Accretion		4,794
Balance at September 30, 2019	**$**	**266,891**

(Expressed in Canadian Dollars)

12. Payable and accrued liabilities

	September 30, 2019	September 30, 2018
Trade payables	**$ 114,618**	$ 112,164
Accrued liabilities	**197,039**	10,000
Total amounts payable and other liabilities	**$ 311,657**	$ 122,164

13. Share capital

a) Authorized
Unlimited common shares without par value
Unlimited preferred shares without par value

b) Common shares issued

(i) On February 26, 2019 and March 5, 2019, the Company completed the first and second tranches of a private placement of 7,982,000 common shares at $0.10 per common share and 49,680 Series A preferred shares for gross proceeds of $1,295,000. The Company paid $31,200 in finder's fee.

(ii) On April 9, 2019, the Company completed the third tranche of a private placement of 130,499 Series A preferred shares for gross proceeds of $1,304,990.

(iii) On August 28 2019 and September 13, 2019, the Company completed the fourth and final tranches of a private placement of 4,550,000 common shares at $0.10 per common share and 5,000 Series A preferred shares for gross proceeds of $505,000. The Company paid $18,720 in cash and issued 500,000 common shares in finder's fees.

(iv) On August 28 2019, the Company issued 4,466,818 common shares to settle $438,954 of debt. Of the shares issued, 3,660,238 were issued to settle $366,024 in demand loans (note 15), 537,780 were issued to repay deposit liabilities (note 10) and 268,800 were issued for $19,152 in deferred costs related to the Transaction (note 22(i)).

(v) On August 28 2019, the Company issued 38,000,000 common shares in escrow to the holders of the Purchased Assets in anticipation of the closing of the proposed Transaction (note 22(i)). The purchased assets were not transferred until subsequent to year end.

c) Series A Preferred shares

(i) Issued

The Company issued 185,179 Series A preferred shares at $10 per share for gross proceeds of $1,851,790 pursuant to private placement offerings completed during the year ended September 30, 2019.

(ii) Terms, rights and privileges

The Series A preferred shares are non-voting, redeemable at the option of the Company any time after March 31, 2026 and eligible for dividends at the discretion of the Company.

The Series A preferred shares are entitled to 50% of all gains on investment dispositions (the "Disposition Entitlement"), which must be settled within thirty business days from the liquidation event.

Upon redemption of the Series A preferred shares, the holders are entitled to:

(a) The redemption price per share, which is calculated as the gross subscription proceeds divided by the number of Series A preferred shares issued and outstanding;
(b) Any unpaid Disposition Entitlements;

(Expressed in Canadian Dollars)

13. Share capital (continued)

(ii) Terms, rights and privileges (continued)

(c) The Deemed Disposition Entitlement, which is calculated as 50% of the deemed gains embedded in the Company's investment portfolio, regardless of whether a liquidation event has occurred or not; and
(d) All unpaid, accrued and accumulated dividends.

d) The contributed surplus of $2,070,133 (2018 - $2,070,133) consists of the fair value attributed to expired options and warrants granted and recognized to date.

14. Stock options

The Company has adopted, and its shareholders have approved, a stock option plan whereby up to 10% of the outstanding shares of the Company as of the date of grant have been reserved for the grant and issuance to its employees, officers, directors and consultants. Under the plan, the exercise price of an option may not be set at less than the minimum price permitted by the TSXV, and the options may be exercisable for a period of up to five years. The aggregate number of options granted to any one individual during any 12-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives. The stock option plan provides for full vesting of the stock options on the date of approval of the options by the appropriate regulatory authority.

The Company did not have any options outstanding or exercisable as at September 30, 2019 and 2018.

15. Demand loans

During the year ended September 30, 2019, a director or a corporation under his control, Zenith Appraisal & Land Consulting Ltd. (the "Holders") advanced funds under promissory notes in the amount of $53,220 (2018 - $108,595). The loans are covered under a general security agreement, non-interest bearing and due on demand by the Holders, or shall be converted to common shares of Magnetic North at a share price to be determined at the time of settlement. On August 29, 2019, $366,024 of the demand loans was settled through the issuance of 3,660,238 common shares. As at September 30, 2019, the Holders were owed $38,220 (September 30, 2018 - $351,024).

16. General and administrative

	Years Ended September 30, 2019	Years Ended September 30, 2018
Professional fees	**$ 45,993**	$ 36,781
Investor relations	**15,718**	19,950
Office and general	**8,718**	5,333
Consulting fees (note 17)	**100,125**	15,987
Travel expenses	**27,629**	699
	$ 198,183	$ 78,750

(Expressed in Canadian Dollars)

17. Key management compensation, related party balances and transactions

	Years Ended September 30, 2019	2018
Consulting fees charged by the Chief Financial Officer	**$ 9,425**	$ 15,987
Consulting fees charged by contracted management personnel	**90,700**	-
	$ 100,125	$ 15,987

(ii) Zenith Appraisal & Land Consulting Ltd., a corporation controlled by a director of Magnetic North. was owed $38,220 as at September 30, 2019 (September 30, 2018 - $351,024)(note 15).

(iii) As at September 30, 2019, related parties were owed $22,023 (September 30, 2018 - $775), which is included in payables and accrued liabilities.

18. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. As discussed in note 1, the Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be equity which comprises share capital, contributed surplus and accumulated deficit, which at September 30, 2019, totaled $1,571,307 (September 30, 2018 - deficiency of $454,535).

The Company's capital management objectives, policies and processes have remained unchanged during the year ended September 30, 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2019, the Company is compliant with Policy 2.5.

19. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors. There have been no changes in the risks, objectives, policies and procedures of the Company during the years ended September 30, 2019 and 2018.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, receivables and advances to private companies. Cash and cash equivalents are held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal. Receivable consist of sales taxes receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to receivables is minimal. The credit risk associated with respect to advances to private companies is considered to be high and the Company has recorded an impairment for the full amount of the advances.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2019, the Company had cash of $1,452,417 (September 30, 2018 - $28,195) to settle current liabilities of $616,768 (September 30, 2018 - $789,063). All of the Company's short-term financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in note 1, the Company's ability to continually meet its obligations and carry out its planned activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances invested in guaranteed investment certificates that are issued by a Canadian Chartered bank. The Company has no interest- bearing debt. At prevailing market interest rates, the impact on interest income is minimal.

(b) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to valuable minerals to determine the appropriate course of action to be taken by the Company. The Company is exposed to market risks associated with the inherent volatility and external factors that can impact the fair value of equity instruments.

(iv) Fair value

The fair value of cash and cash equivalents is based on Level 1 inputs. The fair value of advances to private companies is based on Level 3. Receivables and payables and accrued liabilities approximate their fair values based on their liquidity and short-term nature. Demand loans are recognized at their face values given that there is no market for similar loans, the balance owing is due on demand and they are all owed to related parties.

(Expressed in Canadian Dollars)

20. Segmented information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

21. Income taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 31.0% (2018 - 31.0%) were as follows:

	Years Ended September 30, 2019	2018
Loss before income taxes	**$ (1,468,182)**	$ (114,750)
Expected income tax recovery based at statutory rate	**455,000**	36,000
Share issue costs	**31,000**	-
Impairment of advances to private companies	**(388,000)**	-
Non-deductible expenses	**(2,000)**	-
Change in benefit of tax assets not recognized	**(96,000)**	(36,000)
Deferred income tax provision	**$ -**	$ -

The approximate tax effect of temporary differences and tax loss carry forwards that give rise to the Company's deferred income tax assets computed by applying Canadian statutory rates of 31.0% (2018 – 31.0%) are as follows:

	As at September 30, 2019	As at September 30, 2018
Property, plant and equipment	**$ 82,000**	$ 82,000
Mineral claims	**1,248,000**	1,246,000
Share issue costs	**227,000**	203,000
Other	**5,000**	5,000
Tax loss carry-forwards	**4,467,000**	4,397,000
Capital loss carry-forwards	**26,000**	26,000
Temporary differences	**6,055,000**	5,959,000
Tax benefit not recognized	**(6,055,000)**	(5,959,000)
Deferred income tax asset	**$ -**	$ -

At September 30, 2019, the Company has approximately $14,400,000 of non-capital losses in Canada which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire between 2026 and 2039.

22. Subsequent events

(i) On October 22, 2019, the Company completed its transaction with a group of investment and business professionals to effect an arm's length "Change of Business" (as defined in Policy 5.2 of the TSXV) transaction (the "Transaction") within the meaning of such terms in the policies of the TSXV.

Under the Transaction, the Company acquired certain shareholdings (the "Purchased Assets") from Mr. Kevin Spall, Mr. Ian Wild and Mr. Andrew Osis (the "Vendors") in exchange for the issuance of 38,000,000 Common Shares of the Company at a deemed price of $0.05 per share and the creation and issuance to the Vendors of 100,000 Preferred Series A Shares of the Company at a deemed price of $10.00 per Preferred Series A Share. The Purchased Assets comprised of all the Vendors' equity interests in Bioshield Corp., Ignite Collaboration Services Group, Inc., Power Symmetry Inc. and Previcare Corp.

As a condition of closing of the Transaction, the Company was required to complete a private placement financing for not less than $3 million of gross proceeds. This financing was completed and closed in various tranches over time to total more than $3.1 million (note 13). The Company has incurred $405,102 of deferred costs for this Transaction.

With the completion of the Transaction, the Company changed its name to Magnetic North Acquisition Corp. The common shares of the Company resumed trading on the TSXV under the symbol MNC.

(ii) On December 2, 2019, the Company granted 2,000,000 stock options to officers, directors and consultants of the Company at an exercise price of $0.095 and expiring five years from date of grant. These options vest as follows: 25% immediately, 25% 12 months from date of grant, 25% 24 months from date of grant and 25% 36 months from date of grant.

(iii) On January 15, 2020, the Company has executed an Indicative Offer of Finance (the "Offer") with Infrastructure Commodities Limited ("ICML") to explore and mine, the Company's wholly owned White Rock property (the "Property") located in Yarmouth County, Nova Scotia. The Offer gives ICML the right to explore and mine the Property for quartz, kaolin and mica, and refine and produce quartz, kaolin and mica for sale therefrom (the "Mining Assets").

The Offer terms include, but are not limited to the following conditions:

a. An initial investment by ICML for US$1,000,0000 in the form of a convertible loan that shall convert into an equity interest of 20% of the Mining Assets located at White Rock. The use of proceeds for this initial investment will be utilized by ICML and their consultants, over a 12-month period to bring the Mining Assets to an operational state.
b. Follow-on investment of up to an additional US$4,000,000 will be provided by ICML upon completion of the initial investment period to implement commercialization plans for the Mining Assets. Upon completion of the initial investment phase, ICML will provide commercialization plans and associated budgets for the use of proceeds of the follow-on investment.
c. If the total funding of US$5,000,000 is provided in return to Magnetic North for development of the Mining Assets by ICML, ICML shall receive no less than 45% equity interest in the Mining Assets.

Both Magnetic North and ICML look forward to entering into a binding offer to finance in the near term and expect the initial investment phase to commence in the first quarter of 2020.

(iv) Subsequent to September 30, 2019, the $1 million advance to Previcare Corp. was converted to a promissory note bearing interest of 7% per annum and due on demand.

(v) Subsequent to September 30, 2019, the Company advanced an additional $350,000 to Previcare Corp. with no specific terms and conditions.