OTSO GOLD

MANAGED BY LIONSBRIDGE

(Formerly Nordic Gold Inc.)

Consolidated Financial Statements

For the Years Ended January 31, 2020 and 2019

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Otso Gold Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

August 24, 2020

"Brian Wesson"
Brian Wesson, CEO

"Mark Gelmon"
Mark Gelmon, CFO

Independent auditor's report

To the Shareholders of Otso Gold Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Otso Gold Corp. and its subsidiaries (together, the Company) as at January 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2020 and 2019;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
August 24, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at January 31, 2020	As at January 31, 2019
ASSETS	**$**	$
Current assets		
Cash and cash equivalents	**239,064**	1,528,767
Accounts receivable	**931,789**	3,235,447
Prepaid expenses	**107,592**	358,019
Inventory *(Note 6)*	**2,518,918**	2,633,691
	3,797,363	7,755,924
Non-current assets		
Property, plant and equipment *(Note 7)*	**52,414,488**	49,977,667
Reclamation bonds *(Note 8)*	**4,806,231**	4,978,374
Exploration and evaluation assets *(Note 9)*	**1**	1,691,021
Equity instruments *(Note 10)*	**-**	9,000
	57,220,720	56,656,062
TOTAL ASSETS	**61,018,083**	64,411,986
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**16,153,449**	14,316,122
Gold forward sale derivative liability *(Note 11)*	**-**	3,788,325
Convertible debentures *(Note 12)*	**468,522**	-
Royalty provision *(Note 11)*	**2,167,464**	-
	18,789,435	18,104,447
Non-current liabilities		
Convertible debentures *(Note 12)*	**-**	524,616
Gold forward sale derivative liability *(Note 11)*	**-**	47,968,380
Loan *(Note 11)*	**18,759,159**	-
Royalty provision *(Note 11)*	**11,012,337**	-
Decommissioning and rehabilitation provision *(Note 13)*	**11,461,599**	11,276,045
	60,022,530	77,873,488
SHAREHOLDERS' EQUITY		
Share capital *(Note 14)*	**20,007,626**	18,648,026
Accumulated other comprehensive income	**(1,535,032)**	(320,394)
Contributed surplus *(Note 14)*	**2,783,315**	2,719,968
Deficit	**(20,260,356)**	(34,509,102)
	995,553	(13,461,502)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**61,018,083**	64,411,986

Nature of Operations and Going Concern *(Note 1)*
Subsequent events *(Note 14(d) and 21)*

The consolidated financial statements were approved by the Board of Directors on August 24, 2020 and were signed on its behalf by:

"Brian Wesson"
Brian Wesson, Director

"Yvette Harrison"
Yvette Harrison, Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Year ended January 31, 2020	Year ended January 31, 2019
Expenses	**$**	$
Care and maintenance costs *(Note 15)*	**(6,766,727)**	-
Management and consulting	**(812,319)**	(736,331)
Professional fees	**(1,614,608)**	(244,711)
Transfer agent and filing fees	**(24,259)**	(60,826)
Shareholder information	**(70,333)**	(204,413)
Share-based compensation	**(77,347)**	(679,000)
Travel	**(843,892)**	(483,310)
Office and general	**(84,655)**	(151,049)
	(10,294,140)	(2,559,640)
Other income (expenses)		
Gain on gold forward liability restructure	**54,436,036**	-
Interest expense	**(124,701)**	-
Revaluation of royalty provision	**(4,148,531)**	-
Accretion of loan	**(1,914,973)**	-
Accretion interest	**(137,554)**	(58,041)
Foreign exchange	**34,301**	(405,359)
Gain on valuation of embedded derivative liability	**87,774**	85,400
Financing expense	**-**	(5,143,244)
Loss on valuation of gold forward sale derivative liability	**(22,139,413)**	(20,526,697)
Other income	**64,880**	-
Interest income	**85,087**	59,599
Impairment of exploration and evaluation assets	**(1,691,020)**	-
Loss on equity investments	**(9,000)**	(106,000)
	24,542,886	(26,094,342)
Net income (loss) for the year	**14,248,746**	(28,653,982)
Other comprehensive income to be reclassified to profit and loss in subsequent periods		
Currency translation adjustment	**(1,214,638)**	(201,708)
Comprehensive income (loss) for the year	**13,034,108**	(28,855,690)
Basic and diluted income (loss) per common share *(Note 14)*	**0.07**	(0.18)
Weighted average number of shares outstanding - basic	**203,989,485**	158,261,397
Weighted average number of shares outstanding - diluted	**208,179,485**	158,261,397

The accompanying notes form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common Shares	Share Capital	Contributed Surplus	AOCI	Deficit	Controlling Interest Total	Non-Controlling Interest	Total Shareholders' Equity
	#	$	$	$	$	$	$	$
BALANCE AT 1 FEBRUARY 2018	87,625,773	8,297,744	1,968,295	(118,686)	(5,380,773)	4,766,580	4,783,172	9,549,752
Acquisition of Marknad AB	58,417,182	5,257,546	-	-	(474,347)	4,783,199	(4,783,172)	27
Stock options exercised	300,000	30,000	-	-	-	30,000	-	30,000
Agent's warrants exercised	633,000	31,650	-	-	-	31,650	-	31,650
Proceeds of unit issuance	9,650,000	690,085	274,915	-	-	965,000	-	965,000
Unit issuance cost	-	(76,985)	8,000	-	-	(68,985)	-	(68,985)
Shares issued to Pandion	38,754,785	4,257,064	-	-	-	4,257,064	-	4,257,064
Share-based payments	-		679,000			679,000		679,000
Fair value transfer	-	-	(49,320)	-	-	(49,320)	-	(49,320)
Warrants expired	-	160,922	(160,922)	-	-	-	-	-
Currency translation adjustment	-	-	-	(201,708)	-	(201,708)	-	(201,708)
Net income (loss) for the year	-	-	-	-	(28,653,982)	(28,653,982)	-	(28,653,982)
BALANCE AT 31 JANUARY 2019	195,380,740	18,648,026	2,719,968	(320,394)	(34,509,102)	(13,461,502)	-	(13,461,502)
Issued upon debt restructuring *(Note 11)*	26,612,000	1,330,600	-	-	-	1,330,600	-	1,330,600
Stock options exercised	300,000	29,000	(14,000)	-	-	15,000	-	15,000
Share-based payments	-	-	77,347	-	-	77,347	-	77,347
Currency translation adjustment	-	-	-	(1,214,638)	-	(1,214,638)	-	(1,214,638)
Net income (loss) for the year	-	-	-	-	14,248,746	14,248,746	-	14,248,746
BALANCE AT 31 JANUARY 2020	**222,292,740**	**20,007,626**	**2,783,315**	**(1,535,032)**	**(20,260,356)**	**995,553**	**-**	**995,553**

The accompanying notes form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended January 31, 2020	Year ended January 31, 2019
Operating Activities	**$**	$
Income (Loss) for the year	**14,248,746**	(28,653,982)
Items not affecting cash:		
Accretion expense	**137,554**	58,041
Gain on valuation of embedded derivative liability	**(87,774)**	-
Depreciation of property and equipment	**1,020,537**	-
Revaluation of royalty provision	**4,148,531**	-
Accretion of loan	**1,914,973**	-
Loss on valuation of gold forward sale derivative liability	**22,139,413**	-
Gain on gold forward liability restructure	**(54,436,036)**	-
Impairment	**1,691,020**	-
Unrealized foreign exchange	**34,301**	405,359
Loss (gain) on valuation of derivative liabilities	**-**	20,441,297
Financing expense	**-**	5,143,244
Stock-based compensation	**77,347**	679,000
Unrealized loss on equity instruments	**9,000**	106,000
	(9,102,388)	(1,821,041)
Change in non-cash working capital items:		
Accounts receivable	**1,854,006**	(3,192,654)
Prepaid expenses	**245,335**	(87,045)
Inventory	**31,153**	102,116
Accounts payable and accrued liabilities	**3,893,411**	(210,280)
	6,023,905	(3,387,863)
Cash used in operating activities	**(3,078,483)**	(5,208,904)
Cash flows used in investing activities		
Acquisition of property and equipment	**(11,609,207)**	(27,674,941)
Capitalized revenue	**5,780,758**	8,493,360
Reclamation bond	**11,980**	(1,249,258)
	(5,816,469)	(20,430,839)
Cash flows from financing activities		
Proceeds from unit issuance	**-**	965,000
Proceeds from Maintenance Loan Agreement	**7,615,145**	-
Proceeds from gold forward sale derivative liability	**-**	9,180,300
Options exercise	**15,000**	30,000
Warrants exercise	**-**	31,650
Share issuance costs	**-**	(76,985)
	7,630,145	10,129,965
Effects of exchange rate changes on cash and cash equivalents	**(24,896)**	(81,666)
Net decrease in cash and cash equivalents	**(1,289,703)**	(15,591,444)
Cash at the beginning of the year	**1,528,767**	17,120,211
Cash at the end of the year	**239,064**	1,528,767

The accompanying notes form an integral part of the consolidated financial statements

1) Nature of operations and going concern

Otso Gold Corp., formerly Nordic Gold Inc. ("Otso" or the "Company") is engaged in the development of the Otso Gold Mine, formerly Laiva Gold Mine, in Finland. The Company's common shares trade on the TSX Venture Exchange ("TSXV") under the symbol "OTSO" and is incorporated and domiciled in Canada.

The Company announced on March 8, 2019 that the Otso Gold Mine (formerly, Laiva Mine) was to be placed on care and maintenance from pre-commercial production due to operational issues and a lack of sufficient funds to continue production. The effective date of care and maintenance is April 1, 2019, and because of this, the mining development expenses are no longer capitalized but are now expensed as care and maintenance (Note 15).

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. The Company has incurred operating losses since inception and currently is incurring negative cash flows from operating activities. In order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue a strategic restructuring, refinancing or other transactions to provide it with additional liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. During the year ended January 31, 2020, the Company incurred net cash outflows from operating activities of $3,078,483 (2019: $5,208,903). As at January 31, 2020, the Company had cash and cash equivalents of $239,064 (2019: $1,528,767) and a working capital deficiency of $14,992,072 (2019: $10,348,523).

There can be no assurances that sufficient funding, including adequate financing, will be available to maintain the Otso Gold Mine and to cover general and administrative expenses necessary for the maintenance of a public company for at least twelve months. Subsequent to year end, the Company closed several financings (Note 21 but there can be no guarantee that the Company will be able to continue to secure additional financing in order to be able to continue operations for the foreseeable future, and if so, on terms that are favorable..

During the year ended January 31, 2020, the Company restructured its debt with Pandion Mine Finance (through their subsidiary PFL Raahe Holdings LP) ("Pandion"), for which the key commercial terms of the Consent and Agreement are included in Note 11.

Realization values may be substantially different from carrying values as shown in these consolidated financial statements. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2) Basis of preparation – Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Boards ("IFRS"). The accounting policies set out below have been applied consistently to the years presented in these consolidated financial statements unless otherwise noted.

During the current year the Company adopted IFRS 16 as detailed below:

IFRS 16: Leases ("IFRS 16"): This standard replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has adopted this standard as of February 1, 2019, with no material impact noted on the financial statements of the Company.

These consolidated financial statements were approved by the Board of Directors on August 24, 2020.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the derivative liabilities. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

Foreign currencies and functional currency

These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using their functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of Del Fuego is the Mexican Peso. The functional currency of Nordic Mines Marknad AB is US dollars. Prior to February 1, 2018, the functional currency of the Company's Finnish operations (Nordic Gold Oy), was the United States Dollar. Per IAS 21 - The Effects of Changes in Foreign Exchange Rates, an entity's functional currency should be determined based on the underlying transactions, events and conditions relevant to the entity. Based on management's re-evaluation, taking into consideration the primary economic environment in which Nordic Gold Oy carries on its business, management determined that the functional currency of the Finnish operations changed from US dollars to Euros as at February 1, 2018 given the increased capital expenditure and administrative costs that are denominated in Euros. The change in functional currency of Nordic Gold Oy was applied prospectively from February 1, 2018 in accordance with IAS 21. On the date of the change of functional currency, all items on the statement of financial position of Nordic Gold Oy were translated into Euros at the exchange rate on that date.

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the Statement of Financial Position date. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated at rates at the date of the initial transaction. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange differences are recognized in the Statement of Income (Loss) and Comprehensive Income (Loss) in the period in which they arise.

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate for the applicable period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. All intercompany transactions and balances have been eliminated on consolidation. Companies acquired or disposed of during the period are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Subsidiaries of the Company at January 31, 2020 included:

Name of subsidiary	Percentage of ownership
Minera Acero Del Fuego, S.A.	100%
Nordic Mines Marknad AB	100%
Otso Gold Oy	100%

3) Summary of significant accounting policies

a) Consolidation

Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances, transactions, income and expenses have been eliminated upon consolidation.

Non-controlling interest in the net assets of the consolidated subsidiary are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

b) Cash and cash equivalents

The Company considers cash to include amounts held in banks and highly liquid investments with maturities at a point of purchase of three months or less.

c) Inventory

Materials and supplies inventory consists of consumable parts and supplies which are valued at the lower of weighted average cost and net realizable value. Replacement cost is used as the best available measure of net realizable value.

d) Property, Plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment charges. Land is not depreciated.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Depreciation is charged so as to write off the cost of the asset using the straight-line method over the estimated useful lives as follows:

Buildings	5-10 years
Computer equipment	2-4 years
Furniture and equipment	5-10 years
Exploration equipment	5-10 years
Vehicles	4 years

Mineral properties and mine development costs are stated at cost less accumulated depreciation and impairment losses. When production commences, these costs are amortized using the units of production ("UOP") method, based on recoverable ounces from the estimated proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted to proven and probable reserves. Capitalization of costs incurred ceases when the mining property is capable of commencement of mining operations in the manner intended by management. Costs incurred prior to this point, including depreciation of related plant and equipment, are capitalized. The Company applies judgment in its assessment of when a mine is capable of operating in the manner intended by management which takes account of the design of the mine and the nature of the initial commissioning phase of the mine. Non-recoverable costs for projects determined not to be commercially feasible are expensed in the period in which the determination is made or when the carrying value of the project is determined to be impaired.

The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

e) Exploration and evaluation assets

Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination or asset acquisition.

Costs of acquisition and exploration of mineral properties are capitalized until either economic and technical feasibility are achieved, at which point the costs are classified to property and equipment or a property is abandoned. The net costs related to abandoned properties are charged to income. Office and administration costs not specifically related to mineral projects are expensed in the year in which they occur.

The Company's exploration and evaluation assets are reviewed for an indication of impairment at each reporting period, at a minimum. This review generally is made by reference to the timing of exploration work, work programs proposed and the exploration results achieved by the Company. When indicators of impairment exist, the carrying value of a property is compared to its net recoverable amount, a write down is made for the decline in fair value. The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

g) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the Consolidated Statement of Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) Financial instruments

All financial instruments must be recognized, initially, at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: "amortized cost," "fair value through other comprehensive income", and "fair value through profit and loss". Subsequent measurement of the financial instruments is based on their respective classification. The Company had made the following classifications:

Financial assets or liabilities	Category
Cash and cash equivalents	Amortized cost
Reclamation bond	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debenture	Amortized cost
Embedded derivative – convertible debenture	Fair value through profit and loss
Royalty provision	Fair value through profit and loss
Loan	Amortized cost

- **Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded based on proceeds received, net of direct issue costs (Note 14).

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

- **Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model and included in contributed surplus with the common shares that were concurrently issued classified as share capital, based on their relative fair values. Broker compensation options are classified as issuance costs.

i) Decommissioning and rehabilitation provision

The decommissioning and rehabilitation provision associated with the retirement of a long-lived asset is recognized in the period when it can be reasonably determined. The provision is initially measured at its fair value and recorded as a liability with an offsetting retirement cost that is capitalized as part of the related long-lived asset on the Consolidated Statement of Financial Position. The estimated fair value is measured by reference to the expected future cash flows required to satisfy the obligation, discounted at the Company's credit-adjusted risk-free rate. Changes in the estimated obligation resulting from revisions to estimated timing or amount of future cash flows are recognized as a change in the decommissioning and rehabilitation provision and the related asset retirement cost.

Amortization of asset retirement costs are included in depreciation, depletion and amortization in the Consolidated Statement of Loss. Increases in the decommissioning and rehabilitation provision resulting from the passage of time are recorded as accretion in the Consolidated Statement of Loss.

Actual expenditures incurred are charged against the accumulated decommissioning and rehabilitation provision.

j) Share capital

Share capital issued for non-monetary consideration is recorded at an amount based on the quoted market value of the Company's shares at the time of issuance.

k) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

l) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants, and convertible debentures, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

m) Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as foreign currency translation adjustments for a subsidiary with a different functional currency. The Company's comprehensive income, components of other comprehensive income, and cumulative translation adjustments are presented in the Consolidated Statement of Operations and Comprehensive Income (Loss) and the Consolidated Statement of Changes in Equity.

n) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individual or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligation between related parties.

4) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in which the estimates are revised and in any future periods affected.

The following are the critical judgments and areas involving estimates, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements:

a) Critical judgements in applying accounting policies

<u>Exploration and evaluation expenditure</u>

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

Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, and environmental or political factors that could affect the assets' value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the acquisition and development or cost of holding such assets; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future on mineral properties; and whether the Company has the necessary funds to be able to maintain its interest in the mineral properties.

Functional currency

There is judgement involved in determining functional currency of the Company. Management determined that the functional currency of the Company is the Canadian dollar. The individual financial records of the Company's subsidiaries are kept in the currency of the primary economic environment in which each entity operates (their "functional currency"). The functional currency of Del Fuego is the Mexican Peso. The functional currency of Nordic Mines Marknad AB is the US dollars and the functional currency of Nordic Gold OY is EUR.

Achievement of commercial production phase

Once a mine is capable of operating as intended, depreciation of capitalized costs commences. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including, completion of a reasonable period of commissioning and if consistent operating results are being achieved at a predetermined level of design capacity. Management determined that the mine had not reached its intended operating levels.

Impairment

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

Income, value added, withholding and other taxes

The Company and its subsidiaries and are subject to income, value added, withholding and other taxes. Significant judgment is required in determining the provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

b) Key sources of estimation uncertainty

Share-based payments

Management assesses the fair value of stock options granted using the Black-Scholes option pricing model, which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the Black-Scholes option pricing model do not necessarily provide a reliable measure of the fair value of the Company's stock option awards. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 14 (d).

Rehabilitation and restoration provision

The Company has obligations for the future restoration of its mining tenements. In most instances, removal of assets and restoration of the surrounding area occurs at the end of mine life. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining removal cost, and asset specific discount rates to determine the present value of these cash flows.

Property, plant and equipment

The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. Gold and silver prices are volatile and affected by many factors beyond the Company's control, including prevailing interest rates and returns on other asset classes, expectations regarding inflation, speculation, currency values, governmental decisions regarding precious metals stockpiles, global and regional demand and production, political and economic conditions and other factors may affect the key assumptions used in the Company's impairment testing. Various factors could impact our ability to achieve forecasted production levels from proven and probable reserves. Additionally, production, capital and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. Actual results may vary from the Company's estimates and result in additional impairment charges.

Achievement of the production phase occurs once a mine is capable of reaching the operating levels intended for commercial production. At this point depreciation and depletion of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including, completion of a reasonable period of commissioning and that consistent operating results are being achieved at a pre-determined level of design capacity. The Company has determined that this has not yet occurred.

Fair value of derivatives

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. Management uses its judgment to select a method of valuation and makes estimates of specific model inputs that are based on conditions existing at the end of each reporting period. Refer to Note 11 and 12 for further details on the methods and assumptions associated with the measurement of the royalty provision, including the related accounting for the restructuring of the forward gold purchase agreement and the embedded derivative within the convertible debentures, respectively.

5) Financial instruments and risk management

a) Financial instrument classification and measurement

Financial instruments recognized and disclosed at fair value on the consolidated statements of financial position or are disclosed are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in the markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, equity instruments, reclamation bond, accounts payable and accrued liabilities, convertible debentures royalty provision, and the loan to Pandion (Note 11). The fair value of accounts payable and accrued liabilities may be less than their carrying value due to the liquidity risk (see Note 1). The fair values of the derivative component of the convertible debentures (Note 12) and royalty provision (Note 11) are determined using inputs at level 3 of the fair value hierarchy.

c) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and reclamation bonds. Cash and cash equivalents consist of cash held at a Canadian bank. A substantial portion of the Company's amounts receivable is Input Tax Credit. The carrying amount of cash and cash equivalents, reclamation bonds and amounts receivable represents the maximum credit exposure.

Management monitors the exposure to credit risk on an ongoing basis and does not consider such risk significant at this time.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses. As at January 31, 2020, the Company had a cash balance of $239,064 (2019 - $1,528,767) to settle current liabilities of $18,789,435 (2019 - $18,104,447). See Note 1 for further details.

The contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

January 31, 2020		**Less than 1 year**		**1 to 3 years**
Accounts payable and accrued liabilities	$	16,153,449	$	-
Convertible debentures		468,522		-
Loan		-		30,488,151
Royalty provision		2,717,659		49,063,134
	$	19,339,630	$	79,551,285

January 31, 2019		**Less than 1 year**		**1 to 3 years**
Accounts payable and accrued liabilities	$	14,316,122	$	-
Gold forward sale derivative liability		3,788,325		47,968,380
Convertible debentures		-		524,616
	$	18,104,447	$	48,492,996

e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's operations, net earnings or the value of financial instruments.

f) Foreign currency risk

Foreign exchange risk is the risk that variations in exchange rates between foreign currencies will affect the Company's operating and financial results. The Company is exposed to foreign currency risk as a 5% shift in foreign exchange rates would result in an impact of approximately $96,500. As at 31 January 2020, the Company held currencies totaling the following:

	US (Dollars)	Euro (Dollars)	Krona (Dollars)	Mexican (Pesos)
Cash and cash equivalents	5,597	40,298	790,949	42,126
Accounts receivable	-	612,250	19,711	71,062
Accounts payable and accrued liabilities	(85,600)	(1,661,690)	(3,396,858)	-
Net exposure	(80,003)	(1,009,142)	(2,586,198)	113,188
Canadian dollar equivalent	(105,868)	(1,476,073)	(354,826)	7,933

g) Interest rate risk

Interest rate risk is the risk that interest rate fluctuations will affect the Company's operating and financial results. Management does not believe that the Company is exposed to significant interest rate risk.

h) Commodity price risk

The nature of the Company’s operations results in exposure to fluctuations in commodity prices. Commodity prices are impacted by global economic events that dictate the levels of supply and demand. Nordic’s management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

The Company is exposed to commodity price risk with respect to the price of gold. Commodity price risk is defined as the potential impact on earnings and economic value due to price movements. The Company closely monitors prices of gold to determine the appropriate course of action to be taken by the Company. Price risk could adversely affect the Company. In particular, the Company’s future profitability and viability of development depends upon the market price of gold.

6) Inventory

Inventory consists of parts and supplies, including priority spares and maintenance consumables for the mine site. As at January 31, 2020, inventory is $2,518,918 (2019 - $2,633,691).

7) Property, Plant and equipment

	Land	Connection fees	Buildings	Mineral properties and machinery equipment	Total
Cost or Deemed Cost	$	$	$	$	$
Balance at January 31, 2018	658,565	550,681	2,315,830	13,826,260	17,351,336
Additions	2,054,772	1,796,070	5,268,553	32,735,956	41,855,351
Capitalized revenue	-	-	-	(8,493,360)	(8,493,360)
Currency translation adjustment	(36,116)	(31,568)	(92,601)	(575,375)	(735,660)
Balance at January 31, 2019	2,677,221	2,315,183	7,491,782	37,493,481	49,977,667
Additions	-	-	-	10,864,727	10,864,727
Capitalized revenue	-	-	-	(5,780,758)	(5,780,758)
Depreciation	-	-	(929,491)	(91,046)	(1,020,537)
Currency translation adjustment	(82,381)	(71,241)	(201,929)	(1,271,060)	(1,626,611)
Balance at January 31, 2020	2,594,840	2,243,942	6,360,362	41,215,344	52,414,488

As at January 31, 2020, the Company considered the overall operational issues, high production costs, and mine being on care and maintenance as indicators that the capitalized cost of property, plant and equipment could be impaired and performed a test of impairment. The recoverable amount for the property, plant and equipment impairment testing has been assessed by reference to the fair value less cost of disposal (FVLCD) that was calculated using a discounted cash flow methodology taking account of assumptions that would be made by market participants. FVLCD is based on the cash flows expected to be generated from the mines included within the cash generating units (CGU) being the Otso Gold Mine. The date that mining will cease depends on a number of variables, including estimated recoverable resources and the forecast selling prices for such production. Cash flows have been projected for eleven years. The recoverable amount was estimated to be higher than the carrying amount and as a result, no impairment was recognized during the year.

The key assumptions used to determine FVLCD are as follows:

Pricing assumptions

Long-term commodity prices are determined by reference to external market forecasts. For the January 31, 2020 impairment assessment, the metal price assumptions in US$ were as follows:

- Gold (per ounce) $1,555 - $1,670 (2019 - $1,314 - $1,326)

Grade assumptions

For the January 31, 2020 impairment assessment, the average mineral grade assumptions were as follows:

- Gold (grams per tonne) 1.55 (2019 - 1.36)

Exchange rate assumptions

Long-term exchange rates are determined by reference to external market forecasts. For the January 31, 2020 impairment assessment, the average exchange rate assumptions were as follows:

- Euro to US dollars 1.085 (2019 - 1.110)

Operating costs and capital expenditures

Operating costs and capital expenditures are based on internal management forecasts. Cost assumptions incorporate management experience and expertise, current operating costs, the nature and location of the operation. Future capital expenditure is based on management's best estimate of required future capital requirements. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

Discount rates

The rates are based on the weighted average cost of capital specific to the CGU and the currency of the cash flows generated. The weighted average cost of capital reflects the current market assessment of the time value of money, equity market volatility and the risks specific to the CGU for which cash flows have not already been adjusted. These rates are based on the weighted average cost of capital for similar mining companies, which are considered the market participants, and were calculated based on management's estimates. A post-tax discount rate of 10% was used for the impairment tests.

Sensitivity analysis

The impairment test is particularly sensitive to changes in commodity prices, exchange rates, production costs, recoveries and ore grade. Adverse changes to these key assumptions may result in impairment. The Company has performed a sensitivity analysis based upon current operating costs, exchange rate assumptions, and long-term price assumptions as at January 31, 2020. An impairment charge would result if assumptions changed as follows:

- Average forecast gold price were to fall below US$1,105
- Average grade were to fall below 1.03 gold grams per tonne
- Average Euro to USD exchange rate were to rise above 1.64
- Average recoveries were to fall below 57.5%
- Average production costs were to increase to €35.98

8) Reclamation bonds

The reclamation bonds represent cash of $4,806,231 (2019 - $4,978,374) that has been placed in trust as security to the appropriate government entity relating to the Company's site closure obligations in Finland. The total reclamation deposits were for government reclamation bonds for the Otso Gold Mine project and a deposit held for the Finnish Safety and Chemical Agency. These security deposits were posted with a Finnish financial institution.

A security deposit of $37,500 (2019 - $37,500) was made in favour of the BC Ministry of Energy and Mines prior to commencement of surface work on the Sheslay Project. A security deposit for this amount was posted with a Canadian financial institution.

9) Exploration and evaluation assets

Exploration and evaluation assets consist of the Sheslay property located in Canada.

Sheslay

The Sheslay property (the "Property") comprises nineteen mineral claim licenses located in the Atlin Mining Division of northwestern British Columbia.

During the year ended 31 January 2016, Prosper Gold Corp ("Prosper") acquired a 51% interest in the Property by completing the cash, share, and exploration expenditure conditions outlined above. Accordingly, Otso transferred 51% of its rights, title, and interest in and to the mineral claims comprising the Property to Prosper. Otso retained a 49% interest in the Property.

During the year ended 31 January 2017, the Company entered into a joint venture agreement. The joint venture agreement specifies that Prosper and Otso will contribute funds to continue explorations on the Sheslay Property based on their percentage of ownership; 51% to be contributed by Prosper and 49% to be contributed by the Company.

As at January 31, 2020, as substantive expenditure on the Shesley property are not planned in the near term, the Company wrote down its capitalized cost to $1.

10) Equity instruments

Equity instruments consisted of non-transferable warrants in a 3rd-party public company. The Company acquired a total of 1,500,000 warrants with a fair market value of $180,000. The fair value of warrants was determined using the Black-Scholes pricing model as at acquisition date.

The warrants have an exercise price of $0.45 per share and expired unexercised on 13 March 2019. The Company's total investment does not represent significant influence. Fair value movements were summarized as follows:

Equity instruments	**Fair value**	**Accumulated mark to market (loss)**
	$	$
Balance, beginning of year	9,000	(171,000)
Purchase through sale of mineral claims	-	-
Change in fair value	(9,000)	(9,000)
Balance, end of year	-	(180,000)

11) Forward Gold Purchase Agreement

In November 2017, and amended in October 2018, the Company entered into a Pre-Paid Forward Gold Purchase Agreement (the “PPF Agreement”) with PFL Raahe Holdings LP (“PFL”), a subsidiary of Pandion. Under the PPF Agreement, PFL advanced to the Company an amount of $25,720,000 (USD$20,600,000) (the “Gold Prepayment Amount”) in one tranche as partial consideration for the purchase of a total of 67,155 ounces of gold. PFL was entitled to purchase 67,155 ounces of the gold production from Otso at market prices, less a discount of USD$500 per ounce, from months 18 to 60 commencing on January 1, 2019. During FY2019, an additional $9,180,300 (USD$7,000,000) was advanced to the Company by PFL and was to be repaid as 22,315 additional ounces to the initial PPF Agreement under the same terms unless the funds advanced are repaid prior to June 30, 2019.

In addition, as part of the additional USD$7,000,000 financing, a clause in the original PPF Agreement whereby PFL had the right to exchange the delivery of up to 24,000 ounces of gold for up to 270 million common shares of the Company (in increments of 100 ounces for 1,125,000 common shares) was exchanged for the following consideration:

- Issuance of shares equal to 19.99% of the issued and outstanding shares of the Company with PFL having the right to maintain that interest up to the point that the Company raised $10,000,000 in equity. During the year ended January 31, 2019, the Company issued 38,754,785 shares for a total value of $4,257,064.
- 2.5% net smelter return on gold production from the Otso Gold Mine.
- The Company making a payment of USD$1,500,000 to PFL by April 15, 2019 (not paid).
- PFL is entitled to 50% of the revenue of gold sales generated from future gold ounces sold above USD$1,200 per ounce. (under the original PPF Agreement, it was USD$1,235 per ounce).

In April 2019, the Company announced that Pandion agreed to fund the Company’s 100% owned Finnish subsidiary, Otso Gold Oy, the holding entity for the Otso Gold Mine, during care and maintenance of the mine (the “Maintenance Loan Agreement”) subject to certain conditions as follows:

- Otso Gold OY may draw down in a principal amount of up to EUR350,000 per month.
- The loan bears interest at 12% per annum.
- Otso Gold OY is to repay the loan with all accrued and unpaid interest on the 5th business day following a written demand by the lender.

During the year ended January 31, 2020, the Company received $6,445,145 (EUR4,334,910) from Pandion under the Maintenance Loan Agreement.

On October 7, 2019, the Company restructured the PFP Agreement and the Maintenance Loan Agreements with Pandion. The key commercial terms of the restructured debt are as follows:

- Payments of:
  - USD$1.56 million payable in common shares of the Company upon the completion of up to $7 million equity raise or pro rata on each tranche thereof;
  - USD$11.5 million due in March 2021; and
  - USD$11.5 million due in September 2021.
- Cancellation of gold deliveries to Pandion, its upside participation and free carry right, pursuant to the PFP Agreement.

- After the payments outlined above have been made, Pandion will release their security package in full and have no entitlements from the Company, other than continuing to be entitled to 2.5% net smelter return ("Royalty Provision") on gold production from the Otso Gold Mine.

As a result of the restructuring, 26,612,000 common shares of the Company, valued at $1,330,600, were issued to entities controlled by Brian Wesson and Clyde Wesson (see Note 14) as an arrangement fee.

Upon restructuring, it was determined that the royalty is a derivative at fair value and the future payments are debt at amortized cost. On the date of the restructuring, the pre-existing gold forward sale derivative liability was updated to be at fair value prior to derecognition and the fair value of the royalty provision and debt was compared to that, with the resulting gain recorded in the Statements of Operations and Comprehensive Income/(Loss).

On October 7, 2019, the Company calculated the fair value of the loan and the royalty provision to be $16,926,756 and $9,031,270, respectively. The key assumptions of the valuations are noted below:

Loan	
First payment of USD$11.5 million in month	April 2021
Second payment of USD$11.5 million in month	October 2021
Exchange rate USD/CAD	1.32
Discount rate	33%
Royalty provision	
Average monthly ounces of gold	7,225
Total months of gold production	126
Average gold price in USD	$1,701
Average exchange rate USD/CAD	1.34
Discount rate	33%

As part of the debt restructuring, Pandion also provided an additional US$900,000 to the Company for assistance with working capital for maintenance expenditures of the Otso Gold Mine. The amount received is not separately repayable and is included in the overall restructured debt.

As a result of the debt restructuring, a continuity of the Company's gold forward sale derivative liability, loan, and royalty provision is as follows:

Gold forward sale derivative liability	**October 7, 2019**
	$
Balance, beginning of the year	**51,756,705**
Revaluation of the derivative	**22,139,413**
Fund received pursuant to the Maintenance Loan Agreement (EUR4,334,910)	**6,445,145**
Working capital assistance (US$900,000)	**1,170,000**
Additional working capital assistance received	**213,399**
Recognition of Loan	**(16,926,756)**
Recognition of Royalty Provision	**(9,031,270)**
Common shares issued for arrangement fee on debt restructuring (Note 14)	**(1,330,600)**
Gain on restructuring	**54,436,036**

Loan	**January 31, 2020**
	$
Balance, beginning of the year	**-**
Initial recognition upon debt restructuring	**16,926,756**
Accretion	**1,914,973**
Foreign translation adjustment	**(82,570)**
Balance, end of the year	**18,759,159**

Royalty provision	**January 31, 2020**
	$
Balance, beginning of the year	**-**
Initial recognition upon debt restructuring	**9,031,270**
Change in fair value	**4,148,531**
Balance, end of the year	**13,179,801**
Less, current portion	**(2,167,464)**
Non-current portion	**11,012,337**

12) Convertible debentures

On 26 June 2017, the Company issued $220,000 convertible debentures. The debentures are unsecured, bear interest at 9% per annum, are due on June 30, 2020 and can be converted into common shares of the Company at $0.10. The convertible feature of the convertible debenture is accounted for as an embedded derivative liability. The assumptions in valuing the embedded derivative on issuance include an expected volatility of 93%, a risk-free rate of 1.17%, and an expected remaining life of 3.0 years resulting in a fair value of $47,967. The assumptions in valuing the embedded derivative as at January 31, 2020 include an expected volatility of 103%, a risk free interest rate of 1.47% and an expected remaining life of 0.41 years, resulting in a fair value of $32,418. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of $46,087 for the year ended January 31, 2020. The Company also issued 176,000 Debenture finder's warrants exercisable at $0.10 to purchase one additional common share at a price of $0.10 for a period of two years from the date of closing.

On 28 July 2017, the Company issued a further $199,000 in convertible debentures. The debentures are unsecured, bear interest at 9% per annum, are due on June 30, 2020, and can be converted into common shares of the Company at $0.10. The assumptions in valuing the embedded derivative on issuance include an expected volatility of 93%, a risk-free rate of 1.33%, and an expected remaining life of 2.93 years resulting in a fair value of $43,389. The assumptions in valuing the embedded derivative as at January 31, 2020 include an expected volatility of 103%, a risk free interest rate of 1.47% and an expected remaining life of 0.41 years, resulting in a fair value of $29,324. Accordingly, the Company recognized a gain on valuation of derivative liability in the amount of $41,687 for the year ended January 31, 2020. The Company also issued 159,200 debenture finder's warrants exercisable at $0.10 to purchase one additional common share at a price of $0.10 for a period of two years from the date of closing.

	January 31, 2020	January 31, 2019
	$	$
Balance, beginning of year	**524,616**	579,564
Revaluation of embedded derivative	**(56,094)**	(54,948)
Balance, end of year	**468,522**	524,616
Convertible debenture	**406,780**	376,328
Embedded derivative	**61,742**	148,288

13) Decommissioning and rehabilitation provision

	January 31, 2020	January 31, 2019
	$	$
Balance, beginning of year	**11,276,045**	9,255,965
New estimate	**369,072**	2,287,087
Foreign exchange	**(321,072)**	(290,987)
Accretion expense	**137,554**	23,980
Balance, end of year	**11,461,599**	11,276,045

The decommissioning and rehabilitation provision is comprised of costs expected to be incurred in connection with future remediation and closure activities at the end of the life of the Otso Gold mine in Finland. These activities include water treatment (cleaning of the mine waters for the sulfidic waste rock and tailings area), land rehabilitation, ongoing care and maintenance on water pumps and pipes, and other reclamation and closure related requirements.

The total inflation adjusted estimated cash flows required to settle the decommissioning and rehabilitation provision is estimated to be $11,461,599 (2019 - $11,276,045), with expenditures expected to be incurred over the course of the next 11 years and upon closure. In determining the carrying amount of the decommissioning and rehabilitation provision as at January 31, 2020 the Company has used a risk-free discount rate of -0.39% and an inflation rate of 1.21%.

14) Share capital

a) Authorized:

Unlimited common shares without par value

b) Issued or allotted and fully paid:

Fiscal 2019:

On 8 February 2018, the Company announced that it has exercised its minority buy-out right to acquire the remaining 40% interest in the share capital of Nordic Mines Marknad. Following such acquisition, the

Company is the 100% owner of Nordic Mines Marknad AB, and indirectly, the 100% owner of the Otso Gold Mine, located in Finland. As part of this transaction, the Company issued 58,417,182 common shares, these shares had a fair value of $0.09 per share on the date of issuance.

On 6 September 2018, the Company amended its pre-paid forward gold purchase agreement (Note 11). As part of that agreement change, PFL is entitled to 19.99% of the Company's shares. Future dilution resulting as part of planned private placement up to $10 million of Unit issuances would result in top-up common shares to PFL in order to maintain the 19.99% ownership. As a result of this amendment, the Company issued 38,754,785 common shares valued at $4,257,064 on the date of issuances, which was recognized as financing expense.

On 18 November 2018, the Company closed a private placement for 7,250,000 units ("Units") for $0.10 per unit. Each Unit consists of one common share ("Share") and one common share purchase warrant ("Warrant"), with each full Warrant exercisable for 24 months at an exercise price of $0.13.

On 24 December 2018, the Company closed a private placement for 2,400,000 Units or $0.10 per unit. Each Unit consists of one common share ("Share") and one common share purchase warrant ("Warrant"), with each full Warrant exercisable for 24 months at an exercise price of $0.13.

Fiscal 2020:

During July 2019, the Company issued 300,000 common shares upon the exercise of options with a strike price of $0.05 per option.

On 7 October 2019, the Company issued 26,612,000 common shares valued at $1,330,600 (Note 11).

c) Earnings (loss) per share

Earnings (loss) per share, calculated on a basic and diluted basis, is as follows:

	January 31, 2020	January 31, 2019
Earnings (loss) per share	**$**	$
Basic	**0.07**	(0.18)
Diluted	**0.07**	(0.18)
Net income (loss)	**14,248,746**	(28,653,982)
Net income (loss) available attributable to common shareholders – basic	**14,248,746**	(28,653,982)
Net income (loss) available attributable to common shareholders – diluted	**14,248,746**	(28,653,982)
Weighted average number of shares outstanding		
Weighted average number of shares outstanding – basic	**203,989,485**	158,261,397
Dilutive securities:		
Convertible debenture	**4,190,000**	-
Weighted average number of share outstanding – diluted	**208,179,485**	158,261,397

For the year ended 31 January 2020, exercisable common shares totaling 21,175,000, consisting of shares issuable upon the exercise of stock options and warrants have been excluded from the calculation of diluted income per share as all such securities were anti dilutive.

d) Summary of stock option activity

Under the Company's stock option plan, the Company may grant stock options to its directors, officers, consultants, and employees. Options granted under this plan may expire up to ten years from the date of grant.

During the year ended 31 January, 2019, the Company granted 5,475,000 incentive stock options to its directors, officers, and consultants at an exercise price range between $0.10 - $0.15 per share and a life of five years from the date of grant. These options vested immediately.

During the year ended 31 January 2019, 300,000 options priced at $0.10 were forfeited. In addition, 300,000 common shares were issued upon exercise of options with an exercise price of $0.10 per option. Upon exercise of the options, $14,000 in contributed surplus was allocated to share capital.

<u>During the year ended 31 January 2020:</u>

The Company granted 2,400,000 incentive stock options to its directors, officers, and consultants at an exercise price of $0.05 and a life of five years from the date of the grant. These options vested immediately.

During the year ended 31 January 2020, 1,600,000 options priced at $0.05 - $0.14 were forfeited. In addition, 300,000 common shares were issued upon exercise of options with an exercise price of $0.05 per option. Upon exercise of the options, $14,000 in contributed surplus was allocated to share capital.

Stock option activity during the year is summarized as follows:

Stock option activity	**January 31, 2020**	**Weighted average exercise price**	January 31, 2019	Weighted average exercise price
	#	**$**	#	$
Balance – beginning of year	**11,125,000**	**0.10**	6,250,000	0.07
Granted	**2,400,000**	**0.05**	5,475,000	0.13
Exercised	**(300,000)**	**0.05**	(300,000)	0.10
Forfeited	**(1,600,000)**	**0.09**	(300,000)	0.10
Balance – end of year	**11,625,000**	**0.09**	11,125,000	0.10

Details of stock options outstanding as at January 31, 2020 are as follows:

Date of grant	**Expiry date**	**Exercise price**	**January 31, 2020 outstanding**	**January 31, 2020 exercisable**	January 31, 2019 outstanding
		$	#	#	#
July 19, 2013	July 1, 2020 (1)	0.10	1,000,000	1,000,000	1,150,000
October 2, 2014	July 1, 2020 (1)	0.05	650,000	650,000	1,200,000
December 28, 2016	December 27, 2021(1)	0.05	800,000	800,000	1,100,000
September 30, 2017	September 30, 2022	0.08	2,400,000	2,400,000	2,500,000
December 20, 2017	December 20, 2022	0.12	200,000	200,000	200,000
April 3, 2018	April 3, 2023	0.10	500,000	500,000	800,000
June 13, 2018	June 13, 2023	0.14	2,875,000	2,875,000	3,375,000
June 27, 2018	June 27, 2023	0.15	300,000	300,000	300,000
July 6, 2018	July 6, 2023	0.14	500,000	500,000	500,000
September 20, 2019	September 19, 2024	0.05	2,400,000	2,400,000	-
			11,625,000	11,625,000	11,125,000

(1) Subsequent to January 31, 2020, 8,975,000 options exercisable at weighted average price of $0.10 per share were either forfeited or expired unexercised.

The outstanding options have a weighted-average exercise price of $0.09 (31 January 2019 - $0.10) and the weighted-average remaining life of the options is 2.95 years (31 January 2019 – 3.24) years. As at 31 January 2020, a total of 11,625,000 (31 January 2019 – 11,125,000) of these outstanding options had vested. As at 31 January 2020, none (31 January 2019 – none) of the outstanding options were in the money.

e) Share-based payments

During the year ended 31 January 2020, the Company granted 2,400,000 incentive stock options to its directors, officers, and consultants and recognized share based payments on vested options as follows:

		January 31, 2020		January 31, 2019
Total options granted		**2,400,000**		5,475,000
Average exercise price	**$**	**0.05**	$	0.13
Estimated fair value of compensation	**$**	**77,347**	$	679,000
Estimated fair value per option	**$**	**0.03**	$	0.12

The fair value of the stock-based compensation of options to be recognized in the accounts has been estimated using the Black-Scholes Model with the following weighted-average assumptions:

		January 31, 2020		January 31, 2019
Risk free interest rate		**1.42%**		1.79%
Expected dividend yield		**0.00%**		0.00%
Stock price	**$**	**0.03-0.14**	$	0.09-0.15
Expected stock price volatility (calculated monthly)		**120%**		133%
Expected option life in years		**5 years**		5 years
Forfeiture rate		**0.00%**		0.00%

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. Volatility was determined using historical stock prices. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

f) Warrants

Warrant activity during the year is summarized as below:

Warrant activity	**January 31, 2020**	**Weighted average exercise price**	January 31, 2019	Weighted average exercise price
	#	**$**	#	$
Balance – beginning of year	**18,011,353**	**0.14**	14,099,353	0.15
Issued	**-**	**-**	9,650,000	0.13
Expired	**(8,202,153)**	**0.15**	(5,105,000)	0.15
Exercised	**(159,200)**	**0.05**	(633,000)	0.15
Balance – end of year	**9,650,000**	**0.14**	18,011,353	0.14

As at January 31, 2020, the outstanding warrants have a weighted average exercise price of $0.14 and their weighted average remaining life is 0.82 years (2019 – 1.19 years)

15) Care & Maintenance Costs

Care and Maintenance costs are broken down below:

	January 31, 2020
	$
Mining services including demobilization	**1,141,670**
Depreciation of property and equipment	**1,020,537**
Salaries and wages	**2,051,619**
Utilities	**737,579**
Office and general	**905,019**
Legal and professional fees	**631,694**
Equipment rentals	**178,610**
Travel	**38,189**
Vehicle costs	**49,995**
Telephone costs	**11,815**
	6,766,727

16) Related party transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below.

<u>Key management personnel</u>

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of members of the Company's Board of Directors and the Company's Chief Executive Officer and Chief Financial Officer.

During the year ended January 31, 2020, B & A Wesson Pty Ltd and C & C Wesson Pty Ltd, associated entities of Brian Wesson and Clyde Wesson, received a total of 26,612,000 common shares of the Company, valued at $1,330,600, as payment for the successful restructure of the Pandion debt (Note 11). Brian Wesson and Clyde Wesson are both directors of the Company.

The remuneration to key management personnel during the years ended January 31, 2020 and 2019 is as follows:

	January 31, 2020	January 31, 2019
	$	$
Short-term benefits (i)	**1,106,151**	776,000
Share based payments	**77,347**	434,000
	1,183,498	1,210,000

(i) Includes consulting fees, director fees, management fees and other employment benefits, pursuant to service agreements.

As at January 31, 2020, an amount of $269,332 is included in accounts payable and accrued liabilities, representing amounts owing to former directors and officers of the Company.

17) Contingent liability

Tallqvist Infa OY, the company hired by Otso Gold Oy to mine the ore at the Laiva Mine had, on April 17, 2019, submitted a bankruptcy application with the District Court of Oulu. Otso Gold Oy rejected the bankruptcy application as being without merit as the bankruptcy requirements as set out in Finnish law had not been fulfilled. The bankruptcy application related to a civil claim filed by Tallqvist Infra OY on April 23, 2019 with the District Court of Oulu. The amount of the claim is EUR 6,900,898 with penalty interest at 8% and legal costs. During July 2019, Tallqvist and the Company entered into a settlement agreement which included a payment schedule through to September 2020. As at January 31, 2020, the Company has paid EUR1,500,000 and, subsequent to January 31, 2020, in conjunction with an amended settlement agreement dated March 2020, the Company issued a convertible loan to Tallqvist in the amount of EUR1 million (Note 21 (b) as additional payment towards the settlement amount.

Former employees of Otso Gold Oy filed lawsuits subsequent to January 31, 2020, claiming unlawful dismissal. The claims are demanding EUR 513,513 as compensation along with penalty interest and legal costs. The claim is currently pending before the District Court of Oulu and there is a risk that the court may accept at least part of the claim, however, Otso Gold Oy rejects the claims as being without merit.

In conjunction with the management agreement between the Company and Lionsbridge, (a company controlled by two directors of the Company), Lionsbridge is entitled to receive a fee equal to 12.5% (payable in shares of the Company, less any shares issued as finders fee thereon, of any equity of debt financing that the Company completes.

18) Capital management

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can pursue opportunities for growth, continue to maintain investor confidence and not expose the Company to excess risk. The Company manages its capital structure and makes adjustments to it based upon the level of funds available to support the exploration and development of its mineral properties. In the past, Nordic has been able to generate cash from returns on and gains on sale of its investments. However, as a development stage entity, Nordic continues to be dependent on external financing to fund a substantial portion of its exploration and development activities, and as necessary, to pay general and administrative and other ongoing costs. To date, external financing has included issuing common shares and obtaining debt financing all of which will continue to be considered as financing options depending upon the related terms and conditions. To the extent that market conditions are not believed to be positive for raising equity or debt, adjustments are made to the timing of planned capital expenditures and operating costs reduced to the extent possible until those market conditions become acceptable. Management reviews its capital management approach on an ongoing basis in response to both short term and long term cash flow forecasts and analyses to ensure an adequate amount of liquidity is available to sustain its operations and capital programs. The Company is not subject to externally imposed capital requirements.

19) Segment disclosure

The Company has one reportable segment, being the acquisition and exploration of gold resource properties. The following table provides segmented disclosure of assets and liabilities based on geographic location:

	Americas	Europe	Total
January 31, 2020	$	$	$
Current assets	**261,643**	**3,535,720**	**3,797,363**
Non-current assets			
Other non-current assets	**37,500**	**4,768,731**	**4,806,231**
Property and equipment	**-**	**52,414,488**	**52,414,488**
Exploration and evaluation assets	**1**	**-**	**1**
Liabilities			
Current Liabilities	**(1,338,508)**	**(17,450,927)**	**(18,789,435)**
January 31, 2019			
Current assets	636,646	7,119,278	7,755,924
Non-current assets			
Other non-current assets	9,000	4,978,374	4,987,374
Property and equipment	-	49,977,667	49,977,667
Exploration and evaluation assets	1,691,021	-	1,691,021
Liabilities			
Current Liabilities	(5,040,372)	(13,064,075)	(18,104,447)

20) Income taxes

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates as at 31 January 2020, of 27.00% (31 January 2019 – 27.00%) as follows:

	January 31, 2020	January 31, 2019
	$	$
Net income (loss) for the year	**14,248,746**	(28,653,982)
Statutory tax rate	**27.00%**	27.00%
Expected deferred tax expense (recovery)	**3,847,161**	(7,736,575)
Acquisition of non-capital foreign tax losses	**-**	(18,069,857)
Foreign exchange and other	**(2,948,110)**	(1,508,727)
Non-deductible items	**(6,365,410)**	7,094,593
Financing costs	**-**	(1,409,462)
Change in deferred tax asset not recognized	**5,466,359**	21,630,028
Income (loss) before tax	-	-

As at 31 January 2020, no deferred tax assets are recognized on the following temporary differences, as it is not probable that sufficient future taxable profit will be available to utilize such differences:

	January 31, 2020	January 31, 2019
	$	$
Non capital loss carryforwards	**53,059,892**	47,766,217
Property and equipment	**1,691**	2,114
Exploration and evaluation assets	**235,831**	(220,745)
Financing costs	**858,708**	1,148,746
Net capital losses	**43,525**	36,956
Total unrecognized deductible temporary differences	**54,199,647**	48,733,288

As at 31 January 2020, the Company has the following approximate accumulated non-capital losses which may be carried forward to apply against future year's income for the respective countries income tax purposes subject to final determination by taxation authorities, expiring as follows:

Year of expiry	**Canada**	**Finland**
	$	$
2021	-	3,073,145
2022	-	44,882,490
2023	-	65,796,733
2024	-	39,359,259
2025	-	22,909,796
2026	-	16,628,248
2027	199,377	13,760,104
2028	289,668	26,782,445
2029	474,540	10,645,300
2030	136,226	5,367,937
2031	348,652	-
2032	366,348	-
2033	271,678	-
2034	186,494	-
2035	180,994	-
2036	289,594	-
2037	311,217	-
2038	228,373	-
2039	1,106,548	-
2040	2,911,073	-
2041	4,596,949	-
Total	11,897,731	249,205,457

21) Subsequent events

a) The novel coronavirus ("COVID-19") has caused many countries to implement measures to reduce the spread of the virus. In Finland, on March 16, 2020, the Government issued a decree on implementing the Emergency Power Act that closed the country's borders, limited transportation within the country, and required most people to work from their homes. As at the date of these consolidated financial statements, the office closures and staff reductions are still in effect. The effect and duration of COVID-19 and government responses to it are unknown. Consequently, management anticipates, but cannot predict the effect of unknown adverse changes to its business plans, financial position, cash flows, and results of operations during 2020 and beyond.

b) During March 2020, the Company closed a non-brokered private placement of convertible debentures totalling $3,737,000, which are convertible into common shares of the Company, with an interest rate of 10% per annum and a conversion price equal to the greater of $0.10 per share and a price equal to the exercise date closing market price less a 20% discount. Of the total convertible debentures issued, an amount equivalent to EUR 1 million was issued as payment towards an existing payable (Note 17).

c) During May 2020, the Company executed a drawdown equity financing facility of up to $8-million with Alumina Partners (Ontario) Ltd. (“Alumina”), an affiliate of Alumina Partners LLC, a New York-based private equity firm that has made substantial investments in a broad range of publicly traded securities. The terms of the drawdown facility are set out in an investment agreement dated May 11, 2020, between Alumina and the Company. The drawdown facility is subject to Alumina and the Company agreeing mutually to the pricing terms and subject to regulatory approval of each tranche of the financing.

The investment agreement details the purchase of up to $8-million of units of the Company, consisting of one common share and one common share purchase warrant, at discounts ranging from 15% to 25% of the market price of the shares, with tranches of the drawdown facility occurring at the mutual consent of the Company and Alumina, throughout the 24-month term of the investment agreement. The exercise price of the warrants will be at a 20% premium over the market price of the shares. There are no upfront fees or interest associated with the use of the drawdown facility.

Subsequent to January 31, 2020, the Company completed tranches totaling $400,000.

d) During June 2020, the Company completed a non-brokered private placement of 1,666,667 units for gross proceeds totalling $100,000. Each unit is comprised of one common share and one share purchase warrant that enables the holders to acquire an additional common share of the Company at a price of $0.096 per share for a 60-month period. During July 2020, the Company completed a non-brokered private placement of 1,400,000 units for gross proceeds totalling $70,000. Each unit is comprised of one common share and one share purchase warrant that enables the holders to acquire an additional common share of the Company at a price of $0.06 per share for a 60-month period.

e) During July 2020, the Company reached an agreement with the registered holders of Otso's 9% convertible debentures due June 30, 2020, to extend such maturity date to December 30, 2020. In connection with extending the maturity date to December 30, 2020, upon receiving approval from the TSX Venture Exchange, the Company issued to the holders 2,223,077extension warrants, (in accordance with TSX-V Policy 5.1 -- Loans, Loan Bonuses, Finder's Fees and Commissions). Each extension warrant will allow the holders to acquire one additional common share of the Company at an exercise price of $0.09 per share for a one-year period.

f) During June 2020, the Company granted stock options enabling the holders to acquire up to 1,550,000 common shares of the Company with an exercise price of $0.075 per share, expiring June 11, 2025.

g) During June 2020, the Company received proceeds totaling $37,500 pursuant to the exercise of 750,000 stock options.