SOUTHSTONE MINERALS LIMITED

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended August 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Southstone Minerals Limited

Opinion

We have audited the accompanying consolidated financial statements of Southstone Minerals Limited (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2020 and the consolidated statements of income and comprehensive income (loss), changes in equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company had negative working capital of $1,204,447 and an accumulated deficit of $20,821,339 at August 31, 2020. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Southstone Minerals Limited for the year ended August 31, 2019, prior to the restatement described in Note 27, were audited by another auditor who expressed an unmodified opinion on those statements on December 23, 2019. We have audited the adjustment to the August 31, 2019 consolidated financial statements, and in our opinion, this adjustment, in all material respects, is appropriate and has been properly applied.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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.

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

Responsibilities of Management and Those Charged with Governance for the 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 Alyson Neil.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 23, 2020

SOUTHSTONE MINERALS LIMITED
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		August 31, 2020		August 31, 2019
ASSETS				
Current Assets				
Cash	$	498,115	$	45,519
Receivables (*Note 6*)		68,734		119
Prepaid expenses		4,230		5,250
Inventories (*Note 7*)		366,016		158,762
Held for sale *(Note 25)*		-		2,912,135
		937,095		3,121,785
Non-current assets				
Rehabilitation deposit *(Note 16)*		196,259		168,750
Deposit		-		12,602
Deferred tax asset *(Note 23)*		-		26,710
Exploration and evaluation assets (*Note 8*)		494,951		478,198
Equipment (*Note 9*)		99,276		380,040
TOTAL ASSETS	$	1,727,581	$	4,188,085
LIABILITIES AND DEFICIENCY				
Current Liabilities				
Trade and other payables (*Note 10*)	$	690,837	$	735,902
Promissory notes *(Note 11)*		399,480		419,563
Interest bearing loans and borrowings *(Note 12)*		475,274		411,939
Refundable deposit *(Note 16)*		54,542		-
Income taxes payable *(Note 13)*		-		199,347
Rehabilitation provision *(Note 16)*		245,097		-
Deferred recovery *(Note 14)*		35,213		35,213
Due to related parties (*Note 15*)		241,099		800,457
Held for sale *(Note 25)*		-		1,463,034
		2,141,542		4,065,455
Long-term Liabilities				
Rehabilitation provision *(Note 16)*		-		267,892
Deferred recovery (*Note 14*)		38,307		84,650
		2,179,849		4,417,997
Deficiency				
Share capital (*Note 17*)		16,781,982		17,053,081
Equity portion of convertible notes		-		25,178
Reserve for warrants *(Note 18)*		749,946		749,946
Reserve for share-based payments *(Note 19)*		2,378,970		2,378,970
Reserve for foreign exchange		231,544		174,037
Accumulated deficit		(20,821,339)		(20,828,387)
		(678,897)		(447,175)
Non-controlling interest *(Note 24)*		226,629		217,263
		(452,268)		(229,912)
TOTAL LIABILITIES AND DEFICIENCY	$	1,727,581	$	4,188,085

Corporate information and nature of operations (Note 1)
Assets held for sale and discontinued operations (Note 25)
Subsequent events (Notes 28)

Approved by the Board

/s/"Terry Tucker" — Director

/s/"Samer Khalaf" — Director

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

SOUTHSTONE MINERALS LIMITED
Consolidated Statements of Income and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

Years ended August 31,		**2020**		**2019 (Restated – Note 27)**
Revenues *(Note 22)*	$	5,707,141	$	3,700,177
Cost of sales *(Note 7)*		(4,730,736)		(3,164,305)
Gross Profit		976,405		535,872
Expenses				
Amortization *(Note 9)*		(5,179)		(5,652)
Exploration and evaluation expense (*Note 8*)		(53,756)		(167,860)
Foreign exchange gain (loss)		(35,520)		331
Impairment of equipment *(Note 9)*		(6,947)		-
Management and consulting (*Note 15*)		(322,316)		(349,038)
Office and general		(46,915)		(51,785)
Professional fees		(215,922)		(303,458)
Project investigation costs (*Note 12*)		(2,916)		(699,421)
Shareholder information		(35,127)		(27,808)
Travel and promotion		(11,588)		(20,136)
		(736,186)		(1,624,827)
Gain on forgiveness of debt		-		694,769
Bad debt		(9,339)		-
Gain on derecognition of loan *(Note 12)*		-		362,239
Gain on Kwena disposition *(Note 25)*		524,886		-
Finance income / charges		(34,949)		(34,590)
		480,598		1,022,418
Net profit / (loss) from continuing operations		720,817		(66,537)
Net profit from discontinued operations *(Note 25)*		215,543		320,806
Net income for the year		936,360		254,269
Net income (loss) attributable to:				
Shareholders of the Company		356,088		(41,033)
Non-controlling interests		580,272		295,302
		936,360		254,269
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income (loss):				
Exchange differences on translating foreign operations		293,875		95,998
Reclassification of CTA into net income on disposition of Kwena *(Note 25)*		(131,158)		-
Total comprehensive income (loss) for the year		1,099,077		350,267
Other comprehensive income (loss) attributable to:				
Shareholders of the Company		57,507		174,037
Non-controlling interests		105,210		(78,039)
		162,717		95,998
Total comprehensive income (loss) attributable to:				
Shareholders of the Company		413,595		133,004
Non-controlling interests		685,482		217,263
	$	1,099,077	$	350,267
Basic and fully diluted income per common share	$	0.01	$	0.02
Weighted average number of shares outstanding – basic and diluted		22,198,343		23,260,212

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

SOUTHSTONE MINERALS LIMITED

Consolidated Statement of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

	Share Capital								Equity Attributable to		
	Number of shares	Amount	Units to be issued	Share based payments	Warrants	Foreign Exchange	Convertible loan - Equity	Deficit	Shareholders	NCI	Total
Balance, August 31, 2018	**24,420,180**	**$ 17,469,121**	**$ 32,550**	**$ 2,378,970**	**$ 969,485**	**$ 185,067**	**$ 25,178**	**$ (21,064,208)**	**$ (3,837)**	**$ (78,039)**	**$ (81,876)**
Management compensation	65,100	32,550	(32,550)	-	-	-	-	-	-	-	-
Shares cancelled	(1,832,056)	(694,769)	-	-	-	-	-	-	(694,769)	-	(694,769)
Settlement of debt	400,000	142,685	-	-	57,315	-	-	-	200,000	-	200,000
Convertible notes issued	-	-	-	-	-	-	-	-	-	-	-
Conversion of notes	206,988	103,494	-	-	-	-	-	-	103,494	-	103,494
Expiry of warrants	-	-	-	-	(276,854)	-	-	276,854	-	-	-
Currency translation adjustment	-	-	-	-	-	(11,030)	-	-	(11,030)	-	(11,030)
Net (loss) / profit for the year	-	-	-	-	-	-	-	(41,033)	(41,033)	295,302	254,269
Balance, August 31, 2019	**23,260,212**	**$ 17,053,081**	**$ -**	**$ 2,378,970**	**$ 749,946**	**$ 174,037**	**$ 25,178**	**$ (20,828,387)**	**$ (447,175)**	**$ 217,263**	**$ (229,912)**
Shares cancelled	(4,077,416)	(468,903)	-	-	-	-	-	-	(468,903)	-	(468,903)
Conversion of notes	171,260	33,741	-	-	-	-	(25,178)	-	8,563	-	8,563
Settlement of debt	1,750,000	164,063	-	-	-	-	-	-	164,063	-	164,063
Effect of Kwena share conversion on NCI	-	-	-	-	-	-	-	(349,040)	(349,040)	349,040	-
Currency translation adjustment	-	-	-	-	-	138,032		-	138,032	155,843	293,875
Dercognize CTA related to disposition of Kwena	-	-	-	-	-	(80,525)	-	-	(80,525)	(50,633)	(131,158)
Elimination of NCI related to Kwena	-	-	-	-	-	-	-	-	-	(1,025,156)	(1,025,156)
Net (loss) / profit for the year	-	-	-	-	-	-	-	356,088	356,088	580,272	936,360
Balance, August 31, 2020	**21,104,056**	**$ 16,781,982**	**$ -**	**$ 2,378,970**	**$ 749,946**	**$ 231,544**	**$ -**	**$ (20,821,339)**	**$ (678,897)**	**$ 226,629**	**$ (452,268)**

*On October 29, 2019, the Company completed a consolidation of its share capital on the basis of one post-consolidated share for ten pre-consolidated shares. All share and per share amounts in these financial statements have been retroactively adjusted to reflect the share consolidation.

SOUTHSTONE MINERALS LIMITED
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended August 31,		**2020**		**2019**
Operating Activities				
Net income for the year	$	936,360	$	254,269
Adjustments to reconcile net loss to cash flow from operating activities:				
Deferred tax recovery		-		230
Amortization		79,468		89,980
Interest expense		68,110		82,729
Impairment of PP&E		6,947		-
Amortization of deferred recovery		(35,166)		-
Gain on disposition of Kwena		(524,886)		-
Gain on forgiveness of debt		-		(694,769)
Gain on derecognition of loan		-		(362,239)
Bad debt		9,339		-
Net change in non-cash working capital items:				
Receivables		(68,615)		(119)
Inventories		(207,254)		(158,762)
Prepaid expenses and deposits		(33,133)		(12,602)
Trade and other payables		892,064		477,971
Income taxes payable		(199,347)		(39,280)
Due to related parties		(395,295)		137,077
Cash flow provided by (used in) operating activities – continuing operations		528,592		(225,515)
Cash flow provided by operating activities – discontinued operations		97,281		132,194
Investing Activities				
Rehabilitation provision withholdings		-		10,441
Sale / (Purchase) of equipment		150,796		(271,203)
Cash held by Kwena upon disposal		(615,268)		-
Recoveries		-		(38,229)
Cash flow used in investing activities – continuing operations		(464,472)		(298,991)
Cash flow provided by investing activities – discontinued operations		-		61,062
Financing Activities				
Shares issued for cash		-		25,000
Cash raised from interest bearing borrowings		-		696,647
Convertible notes repaid		(12,500)		(255,822)
Cash flow provided by (used in) financing activities – continuing operations		(12,500)		465,825
Effect of foreign exchange translation		303,695		(105,785)
Net change in cash		452,596		28,790
Cash, beginning of the year		45,519		671,055
Cash, end of the year	$	498,115	$	699,845
Supplemental information (Note 26) and as follows:				
Interest paid		(11,757)		(16,483)
Taxes paid		(199,347)		(39,198)

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

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Southstone Minerals Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on April 10, 2007. The Company holds an interest in the Oena Diamond Mine, an alluvial diamond property, located in the Northern Cape Province, South Africa that consists of one New Order Mining Lease.

During the year the Company, disposed of its subsidiaries that held the three thermal coal, metallurgical and processing plant and engineering service contracts (see Note 25).

On October 29, 2019, the Company completed a consolidation of its share capital on the basis of one post-consolidated share for ten pre-consolidated shares. All share and per share amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

The Company is listed on the TSX Venture Exchange ("TSX.V"), under the symbol SML. The address of the Company's corporate office is 5626 Larch Street, Suite 202, Vancouver, British Columbia, V6M 4E1, Canada.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future. Realization values may be substantially different from carrying values as shown and 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.

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. Operations at the Oena Diamond Mine were halted between March 27, 2020 and May 4, 2020 in compliance with the South African government's instructions. On April 16, 2020, the South African Government announced amendments to the Regulations promulgated under the Disaster Management Act 57 of 2002 to prevent and combat the spread of COVID-19 dated April 11, 2020. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods.

At August 31, 2020, the Company had negative working capital of $1,204,447 and an accumulated deficit of $20,821,339. The Company will require additional financing in order to further develop its business, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

3.1 Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements for the years ended August 31, 2020 and 2019 were reviewed and authorized for issue by the Board of Directors on December 23, 2020.

3.2 Basis of measurement

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

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3.3 Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of controlled entities are as follows:

		Percentage owned *	
	Country of incorporation	**August 31, 2020**	**August 31, 2019**
TGV Resources	South Africa	100%	100%
African Star Minerals (Pty) Limited ("ASM")	South Africa	43%	43%
GAH Mining (Pty) Ltd	South Africa	100%	-
Kwena Mining Projects (Pty) Ltd. **	South Africa	0%	74%
Kwena Mining and Metallurgical Services (Pty) Ltd. **	South Africa	0%	74%
Kwena Springlake Projects (Pty) Ltd **	South Africa	0%	74%

*Percentage of voting power is in proportion to ownership, except for African Star Minerals (Pty) Ltd.

** Cumulatively referred to as Kwena Group, which was disposed of during the year ended August 31, 2020 (Note 25).

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

These consolidated financial statements include an equity interest in TML Equipment Solutions Ltd. ("**TML Equipment**"), a private company, incorporated in South Africa. The Company's ownership interest in TML Equipment was 25% as at August 31, 2020 (August 31, 2019 – 25%). The Company's ownership interest is accounted for using the equity method. As of August 31, 2020 and 2019, equity losses recognized exceeded the carrying amount of the equity investment. The Company recognized no further losses beyond these carrying amounts. If subsequently, TML Equipment subsequently reports profits, the Company will resume recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activities, net of recoveries and sale of tailings. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Acquisition costs are capitalized, and exploration and evaluation expenditures are expensed in the period which they incur. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Although the Company has taken steps that it considers adequate to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Title to exploration and evaluation assets in foreign jurisdictions is subject to uncertainty and consequently, such properties may be subject to prior undetected agreements or transfers and title may be affected by such instances.

4.2 Foreign currency transactions

The functional currency of the Company, the parent, is the Canadian Dollar. The functional currency of the subsidiaries incorporated in South Africa is the South African Rand ("**ZAR**"). The presentation currency of the consolidated financial statements is the Canadian Dollar.

4.2 Foreign currency transactions (continued)

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss).

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income (loss) and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in net loss.

4.3 Equipment (continued)

Amortization

Amortization in profit or loss is provided on a straight-line basis over the estimated useful life of the assets as follows:

- Computer equipment and software 33%
- Office furniture 20%
- Vehicles 12.5%
- Equipment 33%
- Plant 33%

4.4 Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Loss per share

Basic loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period. For the years ended August 31, 2020 and 2019, the Company had stock options and share purchase warrants outstanding that could result in the issuance of additional common shares which were not included in the calculation of diluted loss per share as their effect would be anti-dilutive.

4.6 Share-based payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date is taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

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

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

All equity-settled share-based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments

(i) Non-derivative financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash, and receivables and rehabilitation deposit are measured at amortized cost with subsequent impairments recognized in profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, promissory notes, interest bearing loans and borrowings, and due to related party are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

(iii)Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

The Company has not designated any derivative contracts as hedges and therefore has not applied hedge accounting in these consolidated financial statements.

4.8 Non-controlling interest

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss for the period are allocated between non-controlling interest and shareholders of the parent. Non-controlling interest in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.9 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. These changes are recorded directly to the related asset with a corresponding entry to the provision.

4.10 Restoration and environmental obligations (continued)

The increase in the restoration provision due to the passage of time is recognized as interest expense. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

4.11 Revenue recognition

The Company recognizes revenue using a five-step model. The core principal is that revenue should be recognized to depict the transfer of control of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services. The Company earns revenue from the processing of coal and the sale of diamonds.

Revenue from the processing of coal is pursuant to contractual arrangements with its customers. This revenue is recognized once the tonnage is processed and revenue is determinable, based on agreements. Revenue is recognized at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer. The Company recognizes revenue in the amount that the Company expects to receive after taking into account any variation that may result from rights of return.

The Company principally generates revenue from the sale of diamonds (the "Product") pursuant to contractual arrangements with its customers. This revenue is recognized when control or title of the Product is transferred from the Company and collection is reasonably assured in accordance with specified contract terms. All revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the Product to the customer.

As at August 31, 2020, the technical and economic feasibility of the Company's diamond project had not been established and the Company continued evaluation of this property. As at August 31, 2020, all diamonds recovered from the project are virgin diamonds and the revenue earned is accounted for in the statement of income (loss) and comprehensive income (loss).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Revenue recognition (continued)

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company generally does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

4.12 Fair value of warrants

The Company measures the fair value of warrants issued from financings using the Black–Scholes Option Pricing model. When warrants are issued, the fair value is recorded in the warrant reserve, with the corresponding entry to share capital. When warrants are exercised, their fair value is removed from the warrant reserve account and recorded as share capital.

4.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Company's executive management team has been identified as the chief operating decision-makers, and are responsible for allocating resources and assessing performance of the operating segments.

4.14 Investment in associate

Investments in entities over which the Company has a significant influence, but not control, are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's proportionate share of the investee's income or loss. When the Company's equity investee issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's proportionate share of the proceeds and the carrying value of the underlying equity. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for unless the Company is committed to provide financial support to the investee.

The Company resumes accounting for the investment under the equity method when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Profit or loss resulting from transactions between the Company and its associates is eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of its associates into line with those of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Inventory and supplies

Inventories, which include rough diamonds, are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value is recognized in the period the write-down occurs. Cost is determined using the weighted average method. Cost includes directly attributable mining overhead but excludes borrowing costs. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and selling expenses.

4.16 Assets held for sale and discontinued operations

Non-current assets held for sale and disposal groups are presented separately in the current section of the statement of financial position when management is committed to immediately selling the asset or disposal group in its present condition, and this sale is highly probable and expected to be completed within one year. Immediately before the initial classification of the assets and disposal groups as held for sale or for distribution, the carrying amounts of the assets, or all the assets and liabilities in the disposal groups, are measured in accordance with the applicable accounting policy.

Assets held for sale or distribution and disposal groups are subsequently measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale or for distribution. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale or for distribution continue to be recognised.

Non-current assets classified as held for sale or for distribution and the assets of a disposal group classified as held for sale or for distribution are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale or for distribution are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative consolidated statement of loss and comprehensive loss is re-presented as if the operation has been discontinued from the start of the comparative year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 New Accounting Policies Adopted

a) IFRS 16 Leases

On September 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases as applied under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (leases of 12 months or less) or leases of low-value assets. The Company applied IFRS 16 using the modified retrospective method. Under this method, comparative financial information has not been restated and will continue to be reported under the accounting standards in effect for those periods. The Company has recognized lease liabilities related to its lease commitments for its equipment and office leases. The lease liabilities were measured at the present value of the remaining minimum lease payments, discounted using the Company's estimated incremental borrowing rate as at September 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets were recognized at the lease liabilities amount at initial adoption on September 1, 2019.

The Company elected to apply the following recognition exemptions and practical expedients, as described under IFRS 16:

i) recognition exemption of short-term leases;

ii) recognition exemption of low-value leases;

iii) application of a single discount rate to a portfolio of leases with similar characteristics on transition;

iv) exclusion of initial direct costs from the measurement of the right-of-use assets upon transition;

v) application of hindsight in determining the applicable lease term at the date of transition; and

vi) election to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

As at September 1, 2019		**Previously Reported under IAS 17**		**IFRS 16 Transition Adjustment**		**As reported under IFRS 16**
Right-of-use assets	$	-	$	323,674	$	323,674
Lease liabilities		-		(323,674)		(323,674)
Total	$	-	$	-	**$**	-

The Company recognized lease liabilities measured using its incremental borrowing rate at September 1, 2019. Weighted average incremental borrowing rate applied is 10%.

During the year ended August 31, 2020, the Company did not recognize any expenses relating to short-term leases or low-value leases. The lease liabilities and right-of-use assets disclosed above were disposed of as part of the disposition of the Kwena Group. See Note 25.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and an interest expense. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise. Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the statement of operations and comprehensive loss. Short-term leases are defined as leases with a lease term of 12 months or less. Variable lease payments that do not depend on a index, rate, or subject to a fair market value renewal condition are expensed as incurred, in the statement of income and comprehensive income

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) IFRIC 23

Effective September 1, 2019, the Company adopted IFRIC 23, Uncertainty over Income Tax Treatments which clarifies the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12, Income Taxes when there is uncertainty over income tax treatments. The adoption of IFRIC 23 has not had an impact on the consolidated financial statements of the Company.

4.18 Accounting standards issued but not yet effective

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the that this amendment will have on its consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 2, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Accounting standards issued but not yet effective (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

i) recoverability and measurement of deferred tax assets:

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

ii) provisions for restoration and environmental obligations and contingent liabilities:

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

iii) carrying value of inventories:

The allocation of costs to inventories and the determination of net realizable value involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, recovery levels, and prices. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iv) recoverable amount of its evaluation and exploration assets:

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mining properties and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of its mining properties. Internal sources of information that management considers include the manner in which mining properties are being used, or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mining properties, management makes estimates of the undiscounted future pre-tax cash flows expected to be derived from the Company's mining properties, and the appropriate discount rate. Reductions in commodity price forecasts, increases in estimated future costs of production, increases in estimated future non expansionary capital expenditures, reductions in the amount of recoverable resources and exploration potential, and adverse current economic conditions are examples of factors that could result in a writedown of the carrying amounts of the Company's mining properties and exploration and evaluation assets.

v) fair value of stock-based transactions:

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

i) assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty (Note 1)

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ii) classification of the Oena Project as an exploration and evaluation asset (Note 8);

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances and as to whether economic quantities of reserves will be found so as to assess if technical feasibility and commercial viability have been achieved.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iii) determination of control over ASM (Note 8);

The determination of control of subsidiaries involves significant judgment. De facto control exists in circumstances when an entity owns less than 50% voting rights in another entity but has control for reason other than voting rights or contractual and other statutory means. The consolidated financial statements include the results of African Star Minerals ("ASM") as management has determined that the Company has de facto control over ASM. The Company has the practical ability to direct the relevant activities of ASM and controls the Board of Directors.

iv) determination of the functional currency of the Company and its subsidiaries; and

The determination of functional currency of the Company and its subsidiaries requires significant judgments. Management considered all of the relevant primary and secondary factors in making this determination.

6. RECEIVABLES

		August 31, 2020		August 31, 2019
GST/HST receivables	$	194	$	119
Due from related party (Note 15)		68,540		-
Total receivables	**$**	**68,734**	**$**	**119**

7. INVENTORIES

As at August 31, 2020, the Company's inventory consist of rough diamonds. Inventory expensed during the year ended August 31, 2020 totaled $4,730,736 (2019 - $3,164,305).

		August 31, 2020		August 31, 2019
Diamonds		366,016		158,762
Total inventories	**$**	**366,016**	**$**	**158,762**

8. EXPLORATION AND EVALUATION ASSETS

South Africa

The Company's 43% owned subsidiary ASM has a 100% interest in the Oena Project, a diamond property located in the Northern Cape Province, South Africa.

Acquisition Costs:		August 31, 2020		August 31, 2019
Balance, beginning of year	$	478,198	$	476,260
Effect of foreign exchange		16,753		1,938
Balance, end of the year	**$**	**494,951**	**$**	**478,198**

8. EXPLORATION AND EVALUATION ASSETS (continued)

The evaluation and exploration expenses for the Oena Project are as follows:

		August 31, 2020		August 31, 2019 Restated (Note 27)
Rehabilitation expense	$	8,341	$	49,184
Supplies expense		1,697		94,003
Social and labour expense		43,718		24,673
	$	53,756	$	167,860

During the year ended August 31, 2018, the Company received approval from the Department of Minerals and Resources of the renewal of the mining license for nine years expiring on March 15, 2027.

As part of the application for renewal, and in line with the proposed mining charter, the Company and the minority shareholders will undertake to restructure the shareholding in ASM on a pro-rata basis subsequent to August 31, 2020 (not yet completed) as follows:

	ASM Shareholding	
	Pre Restructure	Post Restructure
Southstone Minerals Limited	43%	41%
BEE Ownership		
Partner	26%	14%
Employees trust	-	8%
Community trust	-	8%
Other minorities	31%	29%
	100%	100%

The Company holds 43% interest in the entity, but continues to have the highest percentage shareholding and has elected the majority of the board of directors (the “Board”). The Company has assessed it still maintains control over the entity based on the following factors:

i) any shareholder can appoint one director of ASM for every 20% shareholding and may remove or replace any appointee;

ii) the Chairman of the Board of ASM is appointed from a director that represents the shareholder with the highest percentage shareholding and the Chairman is granted a second or casting vote to give the Company control of the Board; and

iii) the Board is be responsible for the overall direction, supervision and management of ASM.

9. EQUIPMENT

	Computer Equipment & Software	Office Furniture	Vehicles	Plant	Equipment	Total
Cost						
As at August 31, 2018	$ 60,058	$ 26,745	$ 137,380	$ 221,481	$ 57,774	$ 503,438
Additions	5,244	-	-	105,580	99,317	210,141
Reclassified to assets held for sale	(65,302)	(26,745)	(51,926)	(980)	(57,774)	(202,727)
Foreign exchange	-	-	(26,391)	(712)	607	(26,496)
As at August 31, 2019	**$ -**	**$ -**	**$ 59,063**	**$ 325,369**	**$ 99,924**	**$ 484,356**
Additions	-	-	-	25,309	-	25,309
Disposal	-	-	-	(210,234)	(44,289)	(254,523)
Impairment	-	-	-	-	(6,947)	(6,947)
Foreign exchange	-	-	(6,764)	(37,262)	(11,444)	(55,470)
As at August 31, 2020	**$ -**	**$ -**	**$ 52,299**	**$ 103,182**	**$ 37,244**	**$ 192,725**
Accumulated Amortization						
As at August 31, 2018	35,913	23,015	67,344	-	33,619	159,891
Charge for the year	9,660	1,666	8,820	28,541	56,155	104,842
Reclassified to assets held for sale	(45,573)	(24,681)	(49,476)	-	(37,150)	(156,880)
Foreign exchange	-	-	519	(1,427)	(2,629)	(3,537)
As at August 31, 2019	**$ -**	**$ -**	**$ 27,207**	**$ 27,114**	**$ 49,995**	**$ 104,316**
Charge for the year	-	-	7,421	60,996	11,051	79,468
Removed on disposal	-	-	-	(52,559)	(25,859)	(78,418)
Foreign exchange	-	-	(3,085)	(3,106)	(5,726)	(11,917)
As at August 31, 2020	**$ -**	**$ -**	**$ 31,543**	**$ 32,445**	**$ 29,461**	**$ 93,449**
Net Book Value						
As at August 31, 2019	**$ -**	**$ -**	**$ 31,856**	**$ 298,255**	**$ 49,929**	**$ 380,040**
As at August 31, 2020	**$ -**	**$ -**	**$ 20,756**	**$ 70,737**	**$ 7,783**	**$ 99,276**

During the year ended August 31, 2020, the Company disposed of certain equipment with a net book value of $176,105, for proceeds approximating costs, resulting in no gain or loss on disposition.

During the year ended August 31, 2020, amortization of $74,289 (2019 - $84,328) and $5,179 (2019 - $5,652) was recorded in cost of sales and in operating expenses, respectively.

During the year ended August 31, 2019, amortization of $14,862 was recorded within income from discontinued operations (Note 25).

10. TRADE AND OTHER PAYABLES

		August 31, 2020		August 31, 2019
Trade payables	$	195,671	$	639,258
Accrued liabilities		495,166		77,486
Payroll and VAT provisions		-		19,158
Total trade and other payables	**$**	**690,837**	**$**	**735,902**

11. PROMISSORY NOTES

During the year ended August 31, 2018, the Company issued an unsecured promissory note of $240,408 (US$185,000), interest bearing at 3% per annum to a third party, with no fixed terms of repayment. As at August 31, 2020, $258,194 (August 31, 2019: $260,920) was outstanding.

During the year ended August 31, 2015 the Company issued a combination of secured and unsecured convertible notes at 12% interest. As at August 31, 2020 and 2019 all conversion options expired and therefore became ordinary promissory notes. As at August 31, 2020 $141,286 remain outstanding ($158,643 - August 31, 2019).

A continuity schedule of the previously convertible promissory notes due is as follows:

		August 31, 2020		August 31, 2019
Balance, beginning of the year	$	158,643	$	621,657
Accrued interest		3,876		5,156
Converted to short term debt (Note 13)		-		(110,897)
Converted to shares (Note 18)		(8,563)		(103,494)
Repayments in cash		(12,500)		(255,822)
Effect of foreign exchange		(170)		2,043
Balance, end of the year	**$**	**141,286**	**$**	**158,643**

12. MOQUITA PROJECT

During the year ended August 31, 2019, the Company executed a Services Agreement for Mining and Marketing of Diamonds (“Services Agreement”) with Cooperativa Mineira Do Moquita, SCRL (“Moquita”), a concession located within the Lauchimo River basin, Province of Lunda Norte, Republic of Angola (the “Property”). The Company was responsible for capital expenditures associated with alluvial diamond mine design and equipment acquisition as well as enhancing production. As remuneration, the Company would receive 60% of the proceeds from the sale of produced diamonds.

In conjunction with this Services Agreement, the Company entered into an agreement with CC Mining Limited (“CCML”) whereby CCML provided to the Company two US dollar term loan facilities for an aggregate of US$500,000, (collectively the “Loans”) to be solely used to fund both the capital and operating costs required for the mining of diamonds in Angola on the Moquita property (the “Project”).

12. MOQUITA PROJECT

The Company entered into a Phase 1 Corporate Loan Agreement whereby CCML provided a US dollar term loan facility for up to US$250,000 (the "Corporate Loan Agreement") bearing interest at the rate of 15% per annum, payable monthly, secured and maturing in September 2020. The Company also entered into a Phase 1 Equity Loan Agreement whereby CCML provided a US dollar term loan facility for up to US$250,000 (the "Equity Loan"). The Equity Loan is non-interest bearing, secured and repayable on the delivery of the joint venture agreement with CCML or terminated if CCML elects not to participate in Phase 2.

Pursuant to the agreements, 50% of the proceeds received from the sale of diamonds recovered from the Project would be paid to CCML in lieu of interest. As security for the Loans, the Company agreed to a project specific bank account and a security assignment over the Project, both in favor of CCML.

During the year ended August 2019, another drawdown of US$34,936 of capital was undertaken to close off the Moquita project.

On August 16, 2019, CCML elected not to partake in Phase 2 and the project was terminated. Pursuant to the termination, the Equity Loan was forgiven and derecognized and the Company recorded a gain on Derecognition of loan of $362,239.

On May 28, 2020, CCML has agreed to settle the outstanding indebtedness in the sum of $475,274 through the issuance of 5,315,872 common shares, resulting in CCML holding 19.90% of the outstanding shares of the Company, which was completed subsequent to August 31, 2020. See Note 28.

A continuity schedule of the loans payable is as follows:

		August 31, 2020		August 31, 2019
Balance, beginning of the year	$	411,939	$	-
Proceeds on issuance of loan agreements		-		696,647
Accrued interest		52,477		57,061
Gain on derecognition of loan		-		(362,239)
Amount transferred from convertible debt (Note 12)		-		110,897
Effect of foreign exchange		10,858		(90,427)
Balance, end of the year	**$**	**475,274**	**$**	**411,939**

13. INCOME TAXES PAYABLE

The amount of $199,347 accrued for the year ended August 31, 2019 represents overdue tax payable in the subsidiary African Star Minerals (Pty) Ltd. The full amount was repaid during the year.

14. DEFERRED RECOVERY

In November 2017, the Company entered into a Tailing Investment and Revenue Participation agreement with TML Equipment, whereby TML Equipment agreed to provide funding of $191,042 to ensure ongoing operations of the Oena Property. In return, TML Equipment receives a royalty of 10.6% from sale of diamonds recovered from processing tailings. In the event that no diamond sales are generated, the Company is not obligated to make any royalty payments. The Company recognized the funding as a deferred recovery of the Oena Property and amortized the balance over a 5 year term. For the year ended August 31, 2020, the Company recorded amortization of $35,166 (2019: $39,154) in finance charges in profit and loss.

15. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's named executive officers and members of its Board of Directors. The remuneration of key management personnel was as follows:

Continued operations		August 31, 2020		August 31, 2019
Directors fees	$	8,202	$	-
Consulting fees (included in management and consulting)		314,114		349,038
Total	$	**322,316**	**$**	**349,038**

Discontinued operations		August 31, 2020		August 31, 2019
Management fees (included in management and consulting and employee benefits expense)	$	293,212	$	431,721
Office and general		35,723		37,336
Raw materials and engineering costs		921,196		694,446
Total	$	**1,250,131**	**$**	**1,163,533**

As at August 31, 2020, $241,099 (August 31, 2019 - $800,457) is owed to the CEO, CFO and certain directors and officers of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

As at August 31, 2020, $65,968 is owed to the Company from a company controlled by a director of the Company and $2,572 is owed to the Company from a related company (August 31, 2019 - $Nil). See Note 6.

Effective May 25, 2020 the Company sold its 49% interest in the issued and outstanding Ordinary Shares and 74% interest in the issued and outstanding Preference Shares of each of Kwena Mining Projects (Pty) Ltd., Kwena Mining and Metallurgical Services (Pty) Ltd. and Kwena Springlake Projects (Pty) Ltd to a related party. See Note 25.

On May 4, 2020, the Company agreed to settle outstanding debt with a director of the Company in the amount of $164,063 by way of the issuance of 1,750,000 common shares with a value equivalent to the debt being settled. As such no gain or loss was recognized on the transaction.

16. REHABILITATION PROVISION

A continuity of the Company's reclamation provision is as follows:

		August 31, 2020		**August 31, 2019**
Balance at the beginning of the year	$	267,892	$	250,033
Change in estimate		8,341		49,184
Effect of foreign exchange		(31,136)		(31,325)
Balance at the end of the year	**$**	**245,097**	**$**	**267,892**

As at August 31, 2020, the rehabilitation provision relates to the Oena Project (Note 8). For the years ended August 31, 2020 and 2019, the Company contracted the services of Site Plan Consulting, an independent consultant specializing in geological surveying. The provision is an estimate of total amount of future cash flows required to complete the restoration on the following:

- stock piles and tailings;
- existing facilities; and
- roads and other infrastructure.

Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. Those uncertainties may result in future actual expenditures differing from the amount currently recorded.

The Company carries $196,259 (August 31, 2019: $168,750) in deposits as security against the liability. Of this, $54,542 (August 31, 2019: $nil) is refundable to an arm's length third party.

17. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Share consolidation

On October 29, 2019, the Company completed a consolidation of its share capital on the basis of one post-consolidated share for ten pre-consolidated shares. All share and per share amounts in these financial statements have been retroactively adjusted to reflect the share consolidation.

17. SHARE CAPITAL (continued)

(c) Issued

Year Ended August 31, 2020

Effective May 25, 2020, the Company disposed of its 49% interest in the issued and outstanding Ordinary Shares and 74% interest in the issued and outstanding Preference Shares of each of Kwena Mining Projects (Pty) Ltd., Kwena Mining and Metallurgical Services (Pty) Ltd. and Kwena Springlake Projects (Pty) Ltd. Total consideration received by the Company was $1,320,671 as follows:

- Return for cancellation of an aggregate of 4,077,416 Common Shares (the "Payment Shares") at a value of $0.115 per share, which Payment Shares are collectively held by the Kevin Gallagher, a director of the Company and other related parties, for aggregate value of $468,903; and
- Forgiveness of outstanding indebtedness owed to the Kwena Group from the Company and its subsidiaries in the aggregate sum of $851,768.

On August 24, 2020, the Company issued 1,750,000 common shares of the Company in a debt settlement with a director with a value of $164,063 and on July 16, 2020 the Company issued 171,260 common shares of the Company with a value of $8,563 to settle promissory notes of the same value. Upon settlement, reserves of $25,178 were also reclassified into share capital as no conversion options remained outstanding on any notes (Note 11).

Year Ended August 31, 2019

On September 4, 2018, the Company issued 65,100 common shares with a value of $32,550 as consideration for management fees to the CEO and a director of the company.

On October 26, 2018, 1,389,538 common shares issued to four parties, including a director, in settlement of debt were cancelled and returned to treasury, with all parties agreeing to forgive their respective debts totaling $694,769.

On June 27, 2019, 100,000 common shares held in escrow were cancelled. These shares were placed in escrow on as part of the separation agreement of a former CEO.

On December 7, 2018, 342,518 common shares that were held in escrow were cancelled. These shares were placed in escrow on April 11, 2017 as security for a buyer's interest in ASM (Note 8), that was to be held while the mining license was under renewal. The agreement stipulated that upon renewal the escrowed shares will be cancelled and returned to treasury. In the event that the mining license was not renewed, the escrowed shares would have been released to the buyer.

On December 31, 2018, the Company issued 400,000 units at $0.05 per unit for settlement of debt with a value of $200,000. Each unit consists of one common share and one share purchase warrant, with each warrant exercisable into one common share of the Company at an exercise price of $0.10 per share, exercisable for a period of 36 months from the date of issuance. The fair value of the warrants was valued at $57,315 using the Black-Scholes Option pricing model.

On February 15, 2019, 206,988 common shares with a value of $103,494 were issued for conversion of convertible notes.

18. WARRANTS

The continuity of the Company's outstanding warrants is as follows:

	August 31, 2020			August 31, 2019		
		Weighted Average Exercise Price	**Number of Warrants**		**Weighted Average Exercise Price**	**Number of Warrants**
Outstanding, beginning of year	$	1.00	1,821,000	$	0.90	1,822,180
Issued		-	-		1.00	400,000
Expired		1.00	(1,421,000)		1.00	(401,180)
Outstanding, end of the year	**$**	**1.00**	**400,000**	**$**	**1.00**	**1,821,000**

During the year ended August 31, 2020 1,421,000 warrants expired unexercised.

During the year ended August 31, 2019, 400,000 warrants were issued as part of a settlement of debt, entitling the holder to purchase 400,000 common shares at an exercise price of $1.00 per share for a period of 36 months from the date of issuance. The Company recognized $57,315 as the fair value of the warrants using the Black Scholes option pricing model.

The warrants issued were valued using Black-Scholes option pricing model and the following input assumptions:

Weighted average fair value of warrants issued on December 28, 2018	$	0.02
Risk-free interest rate		1.63%
Estimated life		2.23 years
Estimated volatility		196.68%%
Expected dividend yield		0%
Forfeiture rate		0%

Warrants outstanding as at August 31, 2020 are as follows:

Exercise price	**Issue date**	**Expiry date**	**Number of Warrants**
$ 1.00	December 28, 2018	December 27, 2021	400,000

19. SHARE BASED PAYMENTS

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Stock options vest 50% on grant date and 50% within 365 days from the grant date, except for certain investor relations consultants.

A summary of stock options issued and outstanding is as follows:

		August 31, 2020			**August 31, 2019**	
		Weighted Average Exercise Price	**Number of Options**		**Weighted Average Exercise Price**	**Number of Options**
Outstanding at beginning of the year	$	0.50	**690,000**	$	0.70	1,005,000
Expired		0.50	(105,000)		1.30	(315,000)
Outstanding at end of the year	**$**	**0.59**	**585,000**	**$**	**0.50**	**690,000**
Exercisable at end of the year	**$**	**0.59**	**585,000**	**$**	**0.50**	**690,000**

The following table provides additional information about outstanding stock options at August 31, 2020:

Exercise Price	**Number of Options Outstanding and Exercisable**	**Weighted Average Remaining Life (Years)**	**Expiry date**
$ 0.50	90,000	0.87	July 15, 2021
$ 0.50	450,000	1.45	February 10, 2022
$ 0.50	45,000	1.59	April 3, 2022
$ 0.50	**585,000**		

20. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and its engineering services. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity (deficiency). In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2020.

The Company considers its capital to be shareholders' equity (deficiency), which is comprised of share capital, reserves, deficit and non-controlling interest. There are no external restrictions on the Company's capital.

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian and South African financial institutions.

21. FINANCIAL INSTRUMENTS

Fair Value

The carrying amount of cash, receivables, trade and other payables, promissory notes, interest bearing loans and borrowings, and due to related parties approximate fair value due to the relatively short term maturity of these financial instruments. The fair value of the rehabilitation deposit approximates carrying value due to the nature of the financial asset.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, and receivables. The Company has no significant concentration of credit risk arising from operations. Cash are held with reputable Canadian and South African chartered banks which are closely monitored by management. Trade receivables are usually received within 30 days.

21. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow from both operations as well as financing activities. As at August 31, 2020 the Company had cash of $498,115 to settle current liabilities of $2,141,542. The Company intends to meet its financial commitments through loans, private placements, debt conversion, and profits generated form its operations. All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

Interest Rate Risk

The Company has cash balances and no variable interest bearing debt. The Company is not subject to significant interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from their respective functional currency. The coal operations' income and expenditure are incurred in South African Rands. Diamonds from the South African operations are tendered in United States Dollars and settled in South African Rands at the average rate on the day that the tender closes. The main debt instruments of the group is denominated in Canadian and United States Dollars. The group does not enter into forward cover. As a result, unrealized foreign exchange gains and losses will arise from financial instruments that are unsettled at reporting date and realized foreign exchange gains and losses will arise from the derecognition of financial instruments at the prevailing rate.

A 10% appreciation in the CAD against the ZAR, with all other variables held constant, would result in a $138,192 increase to comprehensive income for the year ended August 31, 2020.

A 10% appreciation in the USD against the ZAR, with all other variables held constant, would result in a $142,679 decrease to comprehensive income for the year ended August 31, 2020.

22. SEGMENTED INFORMATION

Operating Segments

For the years ended August 31, 2020 and 2019, the Company had two reportable segments:

- The operation of four thermal coal, metallurgical and processing plants under engineering contracts; and
- The acquisition, exploration and evaluation, and development of mineral properties.

The above reportable segments are the way the Company reports information regarding segment performance, including net profit (loss) to its chief operating decision maker for the years ended August 31, 2020 and 2019.

The following is summarized financial information of the Company's reportable segments for the year ended August 31, 2020:

		Coal Processing Service Contracts *		Exploration and Evaluation		Corporate		Consolidated
Revenues	$	11,856,042	$	5,707,141	$	-	$	17,563,183
Amortization	$	-	$	74,289	$	5,179	$	79,468
Net income (loss)	$	215,543	$	825,166	$	(104,349)	$	936,360
Total assets	$	-	$	1,152,145	$	575,436	$	1,727,581
Total liabilities	$	-		(862,421)		(1,317,428)		(2,179,849)
Net assets (liabilities)	$	-	$	289,724	$	(741,992)	$	(452,268)

The following is summarized financial information of the Company's reportable segments for the year ended August 31, 2019:

		Coal Processing Service Contracts *		Exploration and Evaluation		Corporate		Consolidated
Revenues	$	14,487,292	$	3,700,177	$	-	$	18,187,469
Amortization	$	14,862	$	84,328	$	5,652	$	104,842
Amortization of service contracts	$	18,888	$	-	$	-	$	18,888
Net income (loss)	$	320,806	$	266,899	$	(333,436)	$	254,269
Total assets	$	2,912,135	$	1,181,890	$	94,060	$	4,188,085
Total liabilities		(1,463,034)		(975,225)		(1,979,738)		(4,417,997)
Net assets (liabilities)	$	1,449,101	$	206,665	$	(1,885,678)	$	(229,912)

As at August 31, 2020 and 2019, all of the Company's revenue was earned in South Africa and all long term assets were held in South Africa.

Information about Major Customers

The Company's revenue for the Service Contracts for the year ended August 31, 2020 and 2019 was from one customer.

23. INCOME TAXES

A reconciliation of income taxes calculated at the combined statutory tax rate to the income tax expense is as follows:

		August 31, 2020		August 31, 2019
Income (loss) before income taxes	$	936,360	$	254,269
Expected income tax (recovery)		253,000		69,000
Change in statutory, foreign tax, foreign exchange rates and other		21,000		109,000
Permanent differences		345,000		7,000
Adjustment to prior year provision versus statutory tax returns		(303,000)		(414,000)
Change in unrecognized deferred tax assets		(316,000)		229,000
Total income tax expense	$	-	$	-
Current income tax expense	$	-	$	-

Taxation in the Company's operational jurisdiction is calculated at the rate prevailing in its respective jurisdiction. There is no deferred tax charge arising for the Group for the year.

The Canadian Federal corporate tax rate remained the same at 15%, and the British Columbia provincial tax rate remained at 12%. The South African income tax rate is 28%.

The significant components of the Company's deferred income tax assets and liabilities are as follows:

		August 31, 2020		August 31, 2019
Non-capital losses	$	2,829,000	$	3,312,000
Share issue costs		-		10,770
Intangible assets		795,000		795,000
Allowable capital losses		46,000		46,000
Equipment		-		9,000
		3,670,000		4,172,770
Unrecognized deferred tax assets		(3,670,000)		(4,146,060)
Net deferred tax asset	$	-	$	26,710

As at August 31, 2020, the Company has estimated non-capital losses totalling $10,178,000 in Canada that may be carried forward to reduce taxable income derived in future years, from 2020 to 2040 and non-capital losses totalling $291,000 in South Africa that can be used indefinitely.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

24. NON-CONTROLLING INTERESTS

The non-controlling interests consisted of the following:

		August 31, 2020		**August 31, 2019**
Kwena Group (0% (2019 – 26%)) - Note 25	$	-	$	566,190
ASM (57% (2019 – 57%))		226,629		(348,927)
	$	226,629	$	217,263

Net income allocated to non-controlling interests:

		August 31, 2020	**August 31, 2019**
Kwena Group (0% (2019 – 26%)) - Note 25	$	109,927	38,555
ASM (57% (2019 – 57%))		470,345	256,747
	$	580,272	295,302

The following is the summarized statement of financial position of ASM as at August 31, 2020:

		ASM
Current:		
Assets	$	373,475
Liabilities		(734,359)
Total current net assets (liabilities)		(360,884)
Non-current		
Assets		283,719
Liabilities		(128,062)
Total non-current net assets		155,657
Total net assets (liabilities)	$	205,227

24. NON-CONTROLLING INTERESTS (continued)

The following is the summarized statement of financial position of Kwena Group and ASM as at August 31, 2019:

	Kwena Group	ASM
Current:		
Assets	$ 2,866,289	$ 161,067
Liabilities	(1,463,034)	(587,471)
Total current net assets (liabilities)	1,403,255	(426,404)
Non-current		
Assets	45,847	1,020,822
Liabilities	-	(387,755)
Total non-current net assets	45,847	633,067
Total net assets (liabilities)	$ 1,449,102	$ 206,663

The following is the summarized comprehensive profit / loss of Kwena Group and ASM for the year ended August 31, 2020:

	Kwena Group	ASM
Revenue	$ 11,856,042	$ 5,707,141
Net income	215,543	825,166
Other comprehensive loss	(355,089)	455,318
Total comprehensive income	$ (139,546)	$ 1,280,484

The following is the summarized comprehensive profit / loss of Kwena Group and ASM for the year ended August 31, 2019:

	Kwena Group	ASM
Revenue	$ 14,487,292	$ 3,692,111
Net income	320,806	266,899
Other comprehensive loss	(38,555)	(132,012)
Total comprehensive income	$ 282,251	$ 134,887

25. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the year ended August 31, 2019, the Company entered into a share restructure agreement with each of Kwena Mining Projects (Pty) Ltd., Kwena Mining and Metallurgical Services (Pty) Ltd. and Kwena Springlake Projects (Pty) Ltd. (collectively, the companies as "Kwena Group"). In order for the Company to submit a tender to renew certain service contracts, the Kwena Group was required to comply with the Broad Based Black Equity Empowerment ("BBBEE") legislation and have a Level 2 status, meaning that the Kwena Group must be at least 51% black-owned.

The Company identified an individual ("BEE Partner") who qualified as a Black Person as defined in the BBBEE Act 51 of 2013 and related legislative texts ("BBBEE Act") to be actively involved in the business of the Kwena Group.

In order to meet the requirements of the BBBEE Act, the Company restructured its holdings, effective November 19, 2019 in the Kwena Group by authorizing two classes of shares to be known as ordinary shares and redeemable preference shares capable of conversion into ordinary shares.

- The Company converted their ordinary shares into redeemable preference shares, resulting in a 74% interest in the issued and outstanding preference shares of the Kwena Group. Accordingly, the Company acquired 49% of the ordinary shares in the Kwena Group and the BEE Partner acquired 51% of the ordinary shares in the Kwena Group.
- Each company in the Kwena group passed a resolution giving the Company the right to nominate the majority of the directors and the constitution of each Kwena Group company was modified so that a 60% majority vote will be required for any ordinary resolution to be passed, allowing the Company to maintain control of the Kwena Group.

The net impact on the Company's controlling interest in the Kwena Group was an increase in NCI of $349,040.

On July 24, 2019, the Company executed the Kwena Group Disposition Agreement with the former owners of Kwena Mining Projects (Pty) Ltd., Kwena Mining and Metallurgical Services (Pty) Ltd. and Kwena Springlake Projects (Pty) Ltd. (collectively, the companies as "Kwena Group" and the former owners "Gallagher Group"), whereby the Gallagher Group would acquire the Company's interest in the issued and outstanding shares of each Kwena Group company (the "Disposition").

The agreement was subsequently terminated in October 2019, however, as part of the Company's strategic plan, the Company committed to a plan to sell the Kwena Group. As at August 31, 2019, the Kwena Group was classified as Assets Held for Sale.

In accordance with IFRS 5, Non-current Assets held for sale and Discontinued Operations, the assets and liabilities associated with the Company's interests in the Kwena Group were reclassified from their respective financial position classifications to "assets held for sale" and "liabilities associated with assets held for sale". The Company is required to recognize assets held for distribution to owners at the lower of their carrying value and fair value less costs to sell. Management determined that the fair value of the Kwena Group is the carrying value.

25. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

On May 25, 2020, the Company completed the Kwena Group Disposition Agreement whereby the Gallagher Group, related party and non-arm's length party (Note 15), would acquire the Company's 49% interest in the issued and outstanding Ordinary Shares and 74% interest in the issued and outstanding Preference Shares of the Kwena Group in exchange for total consideration of $1,320,671 as follows:

- Return for cancellation of an aggregate of 4,077,416 Common Shares (the "Payment Shares") at a price of $0.115 per share, which Payment Shares are collectively held by the Kevin Gallagher and/or related parties, for aggregate value of $468,903; and
- Forgiveness of outstanding indebtedness owed to the Kwena Group from Southstone and its subsidiaries in the aggregate sum of $851,768.

The gain on disposition comprised of:

		May 25, 2020
CONSIDERATION		
Return of shares to treasury	$	468,903
Forgiveness of debt		851,768
TOTAL CONSIDERATION	$	**1,320,671**
Less: net assets	$	(1,791,049)
Add non-controlling interest		1,075,789
Reclassification of cumulative translation adjustments to profit and loss		(80,525)
GAIN ON DISPOSITION OF KWENA GROUP	**$**	**524,886**

The assets and liabilities of The Kwena Group as held for distribution were, as follows:

		May 25, 2020		August 31, 2019
ASSETS				
Cash	$	615,268	$	654,326
Receivables		1,958,023		1,382,833
Inventories		688,343		829,129
Equipment and right-of-use asset		157,713		45,847
Other asset		24,130		-
TOTAL ASSETS HELD FOR SALE	$	**3,443,477**	$	**2,912,135**
LIABILITIES				
Trade and other payables	$	1,517,205	$	1,461,042
Lease liability		135,223		-
Income taxes payable		-		1,992
TOTAL LIABILITIES HELD FOR SALE	$	**1,652,428**	$	**1,463,034**

25. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

The net income from the discontinued operations was, as follows:

Years ended August 31,	2020	2019
Revenues	$ 11,856,042	$ 14,487,292
Operating Expenses		
Amortization	-	(14,862)
Amortization of service contracts	-	(18,888)
Employee benefits expense	(7,727,742)	(9,583,841)
Management and consulting	(330,763)	(499,583)
Office and general	(221,520)	(197,913)
Raw material and engineering cost	(3,109,627)	(3,786,823)
Travel and promotion	(40,921)	(64,465)
Finance charges	(12,950)	(111)
Other expenses	(196,976)	-
Net income before tax	$ 215,543	$ 320,806
Income tax expense	-	-
Net income	$ 215,543	$ 320,806

26. SUPPLEMENTAL CASH FLOW INFORMATION

The following non-cash transactions occurred during the year ended August 31, 2020 (2019 – None):

- Shares issued to settle payables - $164,063
- Shares issued to settle notes - $8,563
- Change in ownership percentage of Kwena without loss on control charged to deficit - $349,040
  Other comprehensive income reclassified to profit and loss on disposition of Kwena - $80,525

27. RESTATEMENT

Subsequent to the issuance of the consolidated financial statements for the year ended August 31, 2019, the Company re-assessed its presentation of its consolidated statements of income and comprehensive income and determined that certain costs should be reallocated to cost of sales from operating expenses. This correction was made by reclassifying $3,078,220 of exploration and evaluation expenditures, $84,328 of amortization expenses, and $1,757 other expenses to cost of sales. There was no impact on net income, equity, or basic or diluted earnings per share for the year ended August 31, 2019 as a result of this restatement.

28. SUBSEQUENT EVENTS

Subsequent to the year ended August 31, 2020 the Company:

a) Settled indebtedness with a director of $43,031 through the issuance of 459,000 common shares.

b) Settled indebtedness with CCML (Note 12) of $475,274 through the issuance of 5,315,872 common shares. As a result of the issuance, CCML holds 19.90% of the outstanding common shares of the Company.

c) Settled indebtedness with a third party of $21,648 through the issuance of 432,960 common shares.

d) Entered into an agreement to settle indebtedness with a director of $226,500 through the issuance of 4,530,000 commons shares. This transaction is subject to the approval of the TSX-V.

e) Entered into an agreement to issue 200,000 common shares to two directors with a value of $10,000. This transaction is subject to the approval of the TSX-V.

f) On October 1, 2020, the Company, through its fully owned subsidiary GAH Mining (Pty) Ltd, entered into a joint venture agreement (the "JVA") with a term of five years with Gumrock Mining (Pty) Ltd. The purpose of the JVA is to extract diamond from the Danial Jacobus van Wyk mining concession and/or any new properties that might be introduced in South Africa.