



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

NORTHWAY RESOURCES CORP.
For the three and six months ended September 30, 2020
(Unaudited - Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

	September 30, 2020	March 31, 2020
	\$	\$
ASSETS		
Current		
Cash	978,699	1,449,124
Receivable	9,592	25,176
Prepaid expenses	17,351	14,573
	<u>1,005,642</u>	<u>1,488,873</u>
Exploration and evaluation assets (Note 3)	<u>1,525,897</u>	<u>1,068,859</u>
TOTAL ASSETS	<u>2,531,539</u>	<u>2,557,732</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	<u>247,798</u>	<u>76,286</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	2,678,566	2,678,566
Reserves (Note 5)	410,153	386,513
Deficit	<u>(804,978)</u>	<u>(583,633)</u>
	<u>2,283,741</u>	<u>2,481,446</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,531,539</u>	<u>2,557,732</u>

Nature of Operations (Note 1)

Approved and authorized by the Board on November 30, 2020

On behalf of the Board of Directors:

“Jay Sujir”

Director

“Jessica Van Den Akker”

Director

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

NORTHWAY RESOURCES CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

	For the three months ended		For the six months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Expenses				
Advertising and marketing	7,625	13,890	9,470	13,890
Consulting fees	9,000	-	9,000	-
Foreign exchange loss	15,953	3,398	46,419	4,622
Insurance expense	7,259	3,092	13,459	3,092
Management fees (Note 6)	28,000	15,500	56,000	25,833
Office and general	2,446	1,670	4,905	2,543
Professional fees (Note 6)	26,121	35,360	40,366	56,909
Property investigation costs	-	-	-	2,000
Rent (Note 6)	3,900	1,000	7,800	1,000
Share-based compensation (Notes 5 and 6)	10,159	51,693	23,640	51,693
Transfer and filing fees	6,318	1,749	10,771	2,451
Travel and related	-	-	-	3,398
	(116,781)	(127,352)	(221,830)	(167,431)
Interest income	212	40	485	47
Loss and comprehensive loss for the period	(116,569)	(127,312)	(221,345)	(167,384)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding	41,386,000	26,587,391	41,386,000	21,293,701

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

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

	Number of Shares Issued	Share Capital \$	Reserves \$	Accumulated Deficit \$	Total Shareholders' Equity \$
Balance at March 31, 2019	16,000,100	604,001	196,000	(225,085)	574,916
Shares issued for cash	25,386,000	2,538,600	-	-	2,538,600
Share issuance costs	-	(443,439)	92,519	-	(350,920)
Stock options granted	-	-	51,693	-	51,693
Repurchase and cancellation of incorporation shares	(100)	(1)	-	-	(1)
Net loss for the period	-	-	-	(167,384)	(167,384)
Balance at September 30, 2019	41,386,000	2,699,161	340,212	(392,469)	2,646,904
Share issuance costs	-	(20,595)	-	-	(20,595)
Stock options granted	-	-	57,035	-	57,035
Stock options expired	-	-	(10,734)	10,734	-
Net loss for the period	-	-	-	(201,898)	(201,898)
Balance at March 31, 2020	41,386,000	2,678,566	386,513	(583,633)	2,481,446
Stock options granted	-	-	23,640	-	23,640
Net loss for the period	-	-	-	(221,345)	(221,345)
Balance at September 30, 2020	41,386,000	2,678,566	410,153	(804,978)	2,283,741

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

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

	For the six months ended September 30,	
	2020	2019
	\$	\$
Cash flows used in operating activities		
Net loss for the period	(221,345)	(167,384)
Item not involving cash		
Share-based compensation	23,640	51,693
Changes in non-cash working capital items		
Receivables	15,584	(7,416)
Prepaid expenses	(2,778)	(46,219)
Accounts payable and accrued liabilities	(6,605)	36,277
	<u>(191,504)</u>	<u>(133,049)</u>
Cash flows used in investing activities		
Exploration and evaluation assets expenditures	<u>(278,921)</u>	<u>(189,270)</u>
Cash flows from financing activities		
Proceeds for shares repurchased	-	(1)
Proceeds for shares issued	-	2,538,600
Share issuance costs	-	(350,920)
Repayment to related parties	-	(10,000)
	<u>-</u>	<u>2,177,679</u>
Net change in cash	(470,425)	1,855,360
Cash, beginning of period	<u>1,449,124</u>	<u>327,993</u>
Cash, end of period	978,699	2,183,353
Non-cash transactions		
Exploration and evaluation assets in accounts payable	185,780	547,470
Warrant issued for share issuance costs	-	92,519

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

NORTHWAY RESOURCES CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020 (Unaudited - Expressed in Canadian Dollars)

NOTE 1 - NATURE OF OPERATIONS

Nature of operations

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

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

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

Going concern

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

The Company has not generated revenues from its operations to date. As at September 30, 2020, the Company has accumulated net losses of \$804,978 since inception and has working capital of \$757,844. The operations of the Company have primarily been funded by the issuance of common shares. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management estimates its current working capital will be sufficient to fund its current level of activities for the next twelve months.

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

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

NORTHWAY RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian Dollars)

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

Statement of compliance (continued)

This financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended March 31, 2020.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended March 31, 2020 except for the following:

Government Assistance

The Company received certain government assistance in the form of forgivable loans from the Canadian government in connection with the COVID-19 pandemic. When there is reasonable assurance that the amounts will be forgiven, the Company reduces the loan and credits the forgiven amounts to the related expenses. The Company includes government assistance that has not been forgiven or is repayable in accounts payable and accrued liabilities.

Basis of presentation

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

Basis of consolidation

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

Foreign currency translation

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

Use of estimates and judgments

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian Dollars)

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

Use of estimates and judgments (continued)

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

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

NOTE 3 - EXPLORATION AND EVALUATION ASSETS

	Healy	Napoleon	Total
	\$	\$	\$
Balance, March 31, 2019	288,955	41,085	330,040
Property staking costs	7,707	-	7,707
<i>Exploration expenditures:</i>			
Accommodation and related	38,730	735	39,465
Analytical	49,891	1,345	51,236
Claim maintenance fees	86,525	9,976	96,501
Consulting	106,514	8,065	114,579
Drilling	236,666	-	236,666
Geophysics	10,495	-	10,495
Helicopter	156,327	-	156,327
Legal and permitting	4,366	-	4,366
Travel and related	21,477	-	21,477
Balance, March 31, 2020	1,007,653	61,206	1,068,859
Property staking costs	-	4,126	4,126
<i>Exploration expenditures:</i>			
Accommodation and related	2,335	46,124	48,459
Analytical	115,379	-	115,379
Claim maintenance fees	1,491	20,128	21,619
Drilling	27,440	733	28,173
Equipment rental	131	7,473	7,604
Geophysics	78,504	27,331	105,835
Helicopter	111,931	-	111,931
Supplies and fuel	13,912	-	13,912
Balance, September 30, 2020	1,358,776	167,121	1,525,897

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020
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NOTE 3 - EXPLORATION AND EVALUATION ASSETS (continued)

Healy property

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

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

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

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

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

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

Napoleon property

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

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

In July 2020, the Company acquired additional proprietary exploration database from a vendor. As consideration, the Company granted to the vendor a 1.0% net smelter returns royalty on the Napoleon property and areas of interest, one-half of which may be acquired by the Company, at any time, for a one-time payment of US\$1,000,000.

NORTHWAY RESOURCES CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	March 31, 2020
	\$	\$
Accounts payable	182,348	18,525
Accrued liabilities	25,450	57,761
Government assistance	40,000	-
	247,798	76,286

NOTE 5 - SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

In August 2019, the Company completed its IPO of 18,486,000 common shares at a price of \$0.10 per common share for gross proceeds of \$1,848,600 and incurred commission and other expenses totaling \$325,315. The Company issued 1,294,020 finders' warrants to its agent exercisable at a price of \$0.10 per share for a period of 24 months, valued at \$68,178, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk free interest rate of 1.33%, volatility of 100% and nil forecasted dividend yield.

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

As at September 30, 2020, the Company has 9,600,000 shares subject to escrow pursuant to the requirements of the TSX-V, which will be released through August 2022.

Share purchase warrants

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

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, March 31, 2019	12,000,000	0.10
Issued	1,756,020	0.10
Balance, March 31, 2020 and September 30, 2020	13,756,020	0.10

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

NOTE 5 - SHARE CAPITAL AND RESERVES (continued)

Share purchase warrants (continued)

A summary of the warrants outstanding and exercisable at September 30, 2020 is as follows:

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

As at September 30, 2020, the Company has 7,200,000 warrants subject to escrow pursuant to the requirements of the TSX-V, which will be released through August 2022.

Stock options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant. Options may be granted for a maximum term of ten years from the date of the grant, and generally expire within 90 days of termination of employment, consulting arrangement or holding office as a director or officer of the Company, are subject to provisions as determined by the Board of Directors (the "Board") 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.

In August 2019, the Company granted 2,000,000 stock options to its directors, officers and consultants with an exercise price of \$0.10 for a period of five years vest 25% immediately, and 25% every six months thereafter, with a fair value of \$148,819, estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.17%, volatility of 100% and nil forecasted dividend yield.

During the year ended March 31, 2020, the Company expensed a total of \$108,728 as share-based compensation for values of stock options vested. In addition, 250,000 stock options expired unexercised, as a result, \$10,734 was reclassified from reserves to deficit.

During the six months ended September 30, 2020, the Company expensed a total of \$23,640 (September 30, 2019 - \$51,693) as share-based compensation for values of stock options vested.

Stock options transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, March 31, 2019	-	-
Granted	2,000,000	0.10
Expired	(250,000)	0.10
Balance, March 31, 2020 and September 30, 2020	1,750,000	0.10

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NOTE 5 - SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

A summary of the stock options outstanding and exercisable at September 30, 2020 is as follows:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
1,750,000	1,312,500	\$ 0.10	August 22, 2024

NOTE 6 - RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2020, the Company entered into the following transaction with related parties, not disclosed elsewhere in these condensed interim consolidated financial statements:

- Incurred exploration expenditures of \$nil (September 30, 2019 - \$427,047) and rent of \$7,800 (September 30, 2019 - \$1,000) to a company related by a common director and officer. The exploration expenditure amount also includes a 10% fee on the exploration costs incurred on behalf of the Company.
- As at September 30, 2020, \$nil (March 31, 2020 - \$1,365) was included in prepaid expenses paid to a company controlled by an officer and director in relation to rent.

Summary of key management personnel compensation:

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

	For the six months ended September 30,	
	2020	2019
Management fees	\$ 56,000	\$ 25,833
Professional fees	-	262
Share-based compensation	19,587	37,478
	75,587	63,573

NOTE 7 – PROPOSED TRANSACTION

In September 2020, the Company entered into a definitive amalgamation agreement with Kenorland Minerals Ltd. ("Kenorland") (the "Amalgamation Agreement"). The transaction contemplated by the Amalgamation Agreement (the "Transaction") will result in a reverse takeover of the Company by Kenorland in accordance with the policies of the TSX Ventures Exchange ("TSXV").

Prior to the closing of the Transaction, the outstanding common shares of the Company ("Northway Shares") will be consolidated on the basis of one (1) new Northway Share for every seven (7) existing Northway Shares (the "Consolidation").

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NOTE 7 – PROPOSED TRANSACTIONS (continued)

Under the terms of the Amalgamation Agreement, the Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (British Columbia), whereby:

- a) 1265114 B.C. Ltd. (“Subco”), a subsidiary created for the purposes of completing the Transaction, will amalgamate with and into Kenorland, with the amalgamated entity (“Amalco”) becoming a wholly owned subsidiary of the Company;
- b) each outstanding share of Kenorland shall be converted into the right to receive two (2) post-Consolidation Northway Shares;
- c) all Northway Shares held by Kenorland will be canceled without any repayment of capital; and
- d) Amalco will become a wholly-owned subsidiary of the Company.

Concurrently with closing of the Transaction, the Company is expected to change its name to “Kenorland Minerals Ltd.” or such other name as the parties may determine.

In connection with the Transaction, Kenorland completed a concurrent financing of 10,000,000 subscription receipts and raised aggregate gross proceeds of \$10,000,000 (the “Private Placement”), with each subscription receipt converted into shares of Kenorland immediately prior to the completion of the Transaction.

Pursuant to the terms of the Amalgamation Agreement, completion of the Transaction will be subject to a number of conditions, including but not limited to, closing conditions customary to transactions of the nature of the Transaction, including the completion of the Consolidation, the completion of the Private Placement, approval of the shareholders of the Company and Kenorland, approvals of all regulatory bodies having jurisdiction in connection with the Transaction and approval of the TSXV including the satisfaction of its initial listing requirements.

NOTE 8 - FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company’s cash is held in major Canadian financial institutions and its receivables are due from the Government of Canada. As such, the Company determined that it is not exposed to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at September 30, 2020, the Company has sufficient cash to settle its current liabilities. The Company will require additional funding to meet its long-term exploration obligations.

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NOTE 8 - FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

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

c) Market risk

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

d) Currency risk

The Company conducts exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates of the Canadian and US dollars. As at September 30, 2020, the Company had a monetary net asset of approximately US\$262,000. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$26,200.

e) Commodity price risk

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

NOTE 9 - SEGMENTED DISCLOSURE

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

NOTE 10 - CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended September 30, 2020. The Company is not subject to any externally imposed capital requirements.