

STRATABOUND MINERALS CORP.  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
For the nine months ended September 30, 2020 and 2019  
(Unaudited)

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, Stratabound Minerals Corp. discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2020 and 2019.

**STRATABOUND MINERALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED)**

As At	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,321,203	\$ 26,076
Marketable securities (Note 3)	126,000	36,000
Term deposit (Note 4)	1,000,233	-
Prepaid expenses	106,830	53,551
GST receivable	67,661	72,568
	4,621,927	188,195
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	752	971
Mineral exploration and evaluation assets (Note 5)	4,038,551	3,086,102
	\$ 8,661,230	\$ 3,275,268
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 845,543	\$ 230,101
Flow-through share - other liability (Note 7)	66,000	12,111
	911,543	242,212
<b>NON-CURRENT LIABILITIES</b>		
Rehabilitation provision (Note 5)	13,650	13,497
	925,193	255,709
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 7)	22,647,283	17,665,020
CONTRIBUTED SURPLUS (Note 7)	1,860,416	1,315,593
DEFICIT	(16,771,662)	(15,961,054)
	7,736,037	3,019,559
	\$ 8,661,230	\$ 3,275,268

Subsequent Events (Note 11)

Approved on behalf of the Board

Director "R. Kim Tyler"

Director "Hashim Ahmed"

**STRATABOUND MINERALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**  
**(UNAUDITED)**

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<b>EXPENSES</b>				
Interest and accretion expense	\$ 51	\$ -	\$ 153	\$ 1,970
General and administrative (Note 6)	127,034	32,718	416,824	139,856
Stock-based compensation (Note 6, 7)	385,000	112,930	499,000	112,930
Amortization	73	104	219	312
Recovery from renegotiation of accounts payable	-	-	(3,477)	-
<b>TOTAL EXPENSES</b>	<b>512,158</b>	<b>145,752</b>	<b>912,719</b>	<b>255,068</b>
<b>LOSS FROM OPERATIONS</b>	<b>512,158</b>	<b>145,752</b>	<b>912,719</b>	<b>255,068</b>
<b>OTHER INCOME</b>				
Flow-through share - income (Note 7)	-	-	12,111	277,272
Fair value adjustment of marketable securities (Note 3)	72,000	20,000	90,000	-
<b>COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>\$ (440,158)</b>	<b>\$ (125,752)</b>	<b>\$ (810,608)</b>	<b>\$ 22,204</b>
<b>BASIC AND DILUTED (LOSS) INCOME PER SHARE</b>	<b>\$ (0.009)</b>	<b>\$ (0.003)</b>	<b>\$ (0.018)</b>	<b>\$ 0.001</b>
<b>Weighted average number of shares:</b>				
Basic and diluted	50,964,335	37,342,374	46,072,720	35,813,960

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

**STRATABOUND MINERALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(UNAUDITED)**

	Number of issued and outstanding shares	Share capital	Contributed surplus	Deficit	Shareholders' equity
	#	\$	\$	\$	\$
<b>Balance at January 1, 2020</b>	<b>44,032,817</b>	<b>17,665,020</b>	<b>1,315,593</b>	<b>(15,961,054)</b>	<b>3,019,559</b>
Warrant exercise (Note 7)	1,983,111	222,352	-	-	222,352
Shares issued for mineral properties (Note 5, 7)	590,000	64,900	-	-	64,900
Option exercise (Note 7)	700,000	70,000	-	-	70,000
Share issuance (Note 6, 7)	24,359,950	4,681,445	112,860	-	4,794,305
Change in equity as a result of warrant re-pricing and extension (Note 7)	-	(46,803)	46,803	-	-
Share issuance costs	-	(66,636)	1,150	-	(65,486)
Stock-based compensation, net of expenses (Note 6, 7)	-	-	441,015	-	441,015
Comprehensive loss for the period	-	-	-	(810,608)	(810,608)
<b>Balance at September 30, 2020</b>	<b>71,665,878</b>	<b>22,590,278</b>	<b>1,917,421</b>	<b>(16,771,662)</b>	<b>7,736,037</b>
<b>Balance at January 1, 2019</b>	<b>210,223,178</b>	<b>17,153,280</b>	<b>1,059,261</b>	<b>(15,707,589)</b>	<b>2,504,952</b>
Shares issued in private placements (Note 7)	2,988,611	194,260	44,829	-	239,089
Stock-based compensation expense (Note 6, 7)	-	-	112,930	-	112,930
Share issuance costs	-	(11,167)	1,272	-	(9,895)
Comprehensive income for the period	-	-	-	22,204	22,204
Common share consolidation (Note 7)	(175,186,091)	-	-	-	-
<b>Balance at September 30, 2019</b>	<b>38,025,698</b>	<b>17,336,373</b>	<b>1,218,292</b>	<b>(15,685,385)</b>	<b>2,869,280</b>

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

**STRATABOUND MINERALS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<b>OPERATING ACTIVITIES</b>				
Comprehensive (loss) income	\$ (440,158)	\$ (125,752)	\$ (810,608)	\$ 22,204
Items not affecting cash:				
Stock-based compensation (Note 6)	385,000	112,930	499,000	112,930
Flow-through share - income (Note 7)	-	-	(12,111)	(277,272)
Unrealized gain on marketable securities (Note 3)	(72,000)	(20,000)	(90,000)	-
Recovery from renegotiation of accounts payable	-	-	(3,477)	-
Amortization	73	104	219	312
Interest and accretion expense	51	-	153	1,970
	<u>(127,034)</u>	<u>(32,718)</u>	<u>(416,824)</u>	<u>(139,856)</u>
Change in non-cash working capital items	<u>11,261</u>	<u>(86,857)</u>	<u>296,012</u>	<u>(63,563)</u>
Net cash (used in) operating activities	<u>(115,773)</u>	<u>(119,575)</u>	<u>(120,812)</u>	<u>(203,419)</u>
<b>INVESTING ACTIVITIES</b>				
Expenditures on mineral exploration and evaluation assets (Note 5)	(625,457)	(201,575)	(629,257)	(222,802)
Investment in term deposits (Note 4)	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(1,625,457)</u>	<u>(201,575)</u>	<u>(1,629,057)</u>	<u>(222,802)</u>
<b>FINANCING ACTIVITIES</b>				
Proceeds from private placements and option and warrant exercises (Note 7)	5,108,981	251,200	5,110,481	251,200
Share issue costs	<u>(61,970)</u>	<u>(9,636)</u>	<u>(65,485)</u>	<u>(9,636)</u>
Net cash provided by financing activities	<u>5,047,011</u>	<u>241,564</u>	<u>5,044,996</u>	<u>241,564</u>
<b>CHANGE IN CASH</b>	<b>3,305,781</b>	<b>(79,586)</b>	<b>3,295,127</b>	<b>(184,657)</b>
CASH, beginning of period	<u>15,422</u>	<u>272,586</u>	<u>26,076</u>	<u>377,657</u>
<b>CASH, end of period</b>	<b>\$ 3,321,203</b>	<b>\$ 193,000</b>	<b>\$ 3,321,203</b>	<b>\$ 193,000</b>

**STRATABOUND MINERALS CORP.**  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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**1. CORPORATE INFORMATION**

Stratabound Minerals Corp. (“Stratabound”) is in the business of acquiring and exploring mineral properties in North America. Stratabound was incorporated under the Business Corporations Act (Alberta) on March 5, 1986, and is listed on the TSX Venture Exchange, having the symbol TSX.V: SB, as a Tier 2 mining issuer and is in the process of exploring its optioned Golden Culvert property in the Yukon Territory, and also holds mineral properties in the province of New Brunswick.

Stratabound has a wholly-owned US subsidiary, Silver Stream Mining Corp., (collectively with Stratabound, “the Company”).

The address of the Company’s principal office is 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2020.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

**b) Basis of measurement and going concern**

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The business of exploring for mineral resources involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations.

**3. MARKETABLE SECURITIES AND TAYLOR BROOK OPTION**

In February 2017, the Company granted Bandera Gold Ltd. (now Jaeger Resources Corp.) (“Jaeger”) an option to acquire an 80% interest in the Taylor Brook property (see Note 5) in exchange for 1,000,000 shares of Jaeger at closing and other consideration. At the time of the transaction these shares were valued at \$0.08/share, for total consideration of \$80,000. At December 31, 2017, the fair value of these shares was \$35,000. Jaeger issued an additional 1,000,000 shares to the Company in February 2018 pursuant to the terms of the agreement when the Jaeger shares were valued at \$0.035 per share. In addition to the share issuances, Jaeger assumed the annual renewal fees and work requirements of the Province of New Brunswick. During the second quarter of 2019 the Company and Jaeger agreed to amend the agreement, whereby the Company allowed Jaeger an extension of the time to complete the required \$500,000 cumulative expenditures until February 2023, in exchange for an additional 1,600,000 shares of Jaeger. In July 2020, the Company and Jaeger agreed to amend the Taylor Brook Option Agreement to provide Jaeger Resources Corp. an additional year to fulfill its work commitments on the property. Jaeger Resources Corp. now has until 2025 to meet its spending requirement of \$500,000.

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3. MARKETABLE SECURITIES AND TAYLOR BROOK OPTION (Continued)

Upon acquisition by Jaeger of its 80% interest in the property when all requirements are met, the Company could elect within 90 days to continue in a joint venture with Jaeger, buy back 40% ownership from Jaeger for an amount of 150% of the exploration expenditures and renewal payments incurred by Jaeger, or transfer the remaining interest in exchange for a 3% net smelter return royalty.

Balance at January 1, 2019	\$ 60,000
Marketable securities received	32,000
Impairment based on decline in fair value	(56,000)
<b>Balance at December 31, 2019</b>	<b>\$ 36,000</b>
Increase in fair value during the period	90,000
<b>Balance at September 30, 2020</b>	<b>\$ 126,000</b>

4. TERM DEPOSIT

During the period, the Company purchased a guaranteed investment certificate with a face value of \$1,000,000, earning interest at prime less 2.20%, and maturing on August 27, 2021. The effective interest rate at September 30, 2020 is 0.25%.

Balance at January 1, 2019 and December 31, 2019	\$ -
Investment certificate purchased	1,000,000
Interest earned	233
<b>Balance at September 30, 2020</b>	<b>\$ 1,000,233</b>

5. MINERAL EXPLORATION AND EVALUATION ASSETS

Balance at January 1, 2019	\$ 2,444,800
Acquisition, renewal, and exploration costs	479,378
Provision for rehabilitation costs	13,497
Shares issued for exploration costs	120,427
Option payments	60,000
Disposal of properties (Note 3)	(32,000)
<b>Balance at December 31, 2019</b>	<b>\$ 3,086,102</b>
Acquisition, renewal, and exploration costs	887,549
Shares issued	64,900
<b>Balance at September 30, 2020</b>	<b>\$ 4,038,551</b>

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**5. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)**

**a) Golden Culvert, Yukon Territory**

On December 15, 2017 the Company completed the purchase from South Shore Partnership Inc. ("South Shore") of an option to acquire the Golden Culvert and Little Hyland properties comprising 431 mineral claims in the Little Hyland Valley District of the Southeastern Yukon Territory, approximately 205 kilometres north of the town of Watson Lake. A final share issuance to South Shore of 833,333 shares recorded at the market price of \$50,000 was made on December 12, 2019 completing the final obligation to South Shore and now Stratabound only has obligations directly under the Option Agreement with the Optionors.

On December 5, 2019 the Company announced it had renegotiated the terms of the Option Agreements by way of an amendment. The principal changes were to defer some of the payments from 2019 to later years, provide for Stratabound to receive a 40% interest in the property after the 2021 payment, and to adjust the annual payment date to December 12th of each year. The revised payment schedule is shown below.

The option consists of two individual option agreements, one for the Golden Culvert claims, with a sub-option on the Rubus claims; and one for the Little Hyland claims. Maintenance and exercise of the options will require the following payments to the Optionors:

<b>Payment Date</b>	<b>Golden Culvert</b>	<b>Rubus</b>	<b>Little Hyland</b>
September 27, 2018	\$100,000 (paid)	-	\$60,000 (paid)
December 12, 2019	\$60,000 (paid)	-	\$45,000 (paid)
December 12, 2020	\$150,000	\$75,000	\$130,000
December 12, 2021	\$200,000	\$45,000	\$150,000
December 12, 2022	\$350,000	-	\$200,000

The above payments may be made in cash or at Stratabound's election, up to 50% in Stratabound common shares based on the 30-day weighted average price of Stratabound shares at the date of issuance.

The 2018 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$80,000 in cash and 225,989 common shares of the Company issued at a price of \$0.354 per share for \$80,000. The December 2019 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$60,000 in cash and 873,786 common shares of the Company, recorded at the market price of \$52,427.

Exercise of the options will also require fulfillment of work requirements of \$350,000 exploration expenditures at each of the Golden Culvert and Little Hyland properties during the period ending December 12, 2022. The Golden Culvert work commitment was fulfilled during 2018 and at September 30, 2020 the Little Hyland work commitment has not yet been fulfilled. The claims are subject to net smelter return (NSR) royalties aggregating to 2.5% to South Shore and the Optionors.

During 2019, the Company recognized a rehabilitation provision for reclamation of trenching performed on the property. This rehabilitation must be completed by the year 2026. Accretion expense of \$153 was recorded during the period ended September 30, 2020 (2019 - \$nil), and the carrying value of the reclamation provision at September 30, 2020 is \$13,650 (2019 - \$13,497).

The carrying value of the Golden Culvert property at September 30, 2020 is \$3,355,045 (2019 - \$2,553,695).



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**5. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)**

**b) Bathurst, New Brunswick**

The Company holds a 100% interest in 158 units and one mining lease in the Bathurst base metal mining camp in New Brunswick, Canada. The properties include the CNE/Captain Company, CNE Mining Lease and Taylor Brook (see Note 3) claim groups. All are subject to 1% net smelter return on production, with the exception of the portion of the CNE/Captain Group, which is royalty free. The carrying value of the Bathurst properties at September 30, 2020 is \$433,586 (2019 - \$426,858).

**c) McIntyre Brook, New Brunswick**

During 2019, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre Gold Project, located approximately 80 kilometres west of Bathurst, New Brunswick. At closing, the Company issued 300,000 common shares to the Optionors recorded at their market value of \$18,000. By the first anniversary of signing the Company has committed to complete \$50,000 in exploration work at the property. Maintenance and exercise of the option will require the following payments to the Optionors:

<u>Payment Date</u>	<u>McIntyre Brook</u>
November 22, 2020	\$15,000
November 22, 2021	\$15,000
November 22, 2022	\$30,000
November 22, 2023	\$40,000

Upon completion of the fourth anniversary payment the Company will have earned 100% ownership in the McIntyre Brook claim group. The anniversary payments may be made, at the Company's election, up to 50% in shares. This claim group is subject to a 2% net smelter return on production; however, the Company may re-purchase 1% of the net smelter return for either \$1,000,000, or increments of \$500,000 per 0.50% net smelter return.

During 2019 the Company completed a small diamond drilling exploration program incurring \$102,549 of expenditures thereby exceeding the entire \$50,000 work commitment required to acquire the property.

The carrying value of the McIntyre Brook property at September 30, 2020 is \$185,020 (2019 - \$105,549).

**d) McIntyre-Moose Brook, New Brunswick**

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre-Moose Brook property, which is adjacent to the McIntyre Brook Gold Project, described in 5. c), above. At closing, the Company issued 500,000 common shares to the Optionors recorded at their market value of \$55,000. The Company has committed to complete \$50,000 of exploration work at the property, with minimum work commitments as follows:

- \$10,000 on or before February 5, 2021;
- \$10,000 on or before February 5, 2022;
- \$15,000 on or before February 5, 2023; and,
- \$15,000 on or before February 5, 2024.

Maintenance and exercise of the option will require the following payments to the Optionors:

<u>Payment Date</u>	<u>McIntyre-Moose Brook</u>
February 5, 2021	\$40,000
February 5, 2022	\$60,000
February 5, 2023	\$70,000
February 5, 2024	\$80,000

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5. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)

d) McIntyre-Moose Brook, New Brunswick (continued)

Upon completion of the fourth anniversary payment the Company will have earned 100% ownership in the McIntyre-Moose Brook claim group. The anniversary payments may be made, at the Company's election, up to 50% in shares. This claim is subject to a 2% net smelter return on production; however, the Company may re-purchase 1% of the net smelter return for either \$1,000,000, or increments of \$500,000 per 0.50% net smelter return.

The carrying value of the McIntyre-Moose Brook property at September 30, 2020 is \$55,000 (2019 - \$nil).

e) Gold Brook, New Brunswick

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the Gold Brook property, which is adjacent to the McIntyre Brook Gold Project, described in 5. c), above. At closing, the Company issued 90,000 common shares to the Optionors recorded at their market value of \$9,900. The Company has committed to complete \$10,000 of exploration work at the property, with minimum work commitments as follows:

- \$5,000 on or before February 5, 2022; and,
- \$5,000 on or before February 5, 2023.

Maintenance and exercise of the option will require the following payments to the Optionors:

<u>Payment Date</u>	<u>Gold Brook</u>
February 5, 2021	\$5,000
February 5, 2022	\$10,000
February 5, 2023	\$15,000

Upon completion of the third anniversary payment the Company will have earned 100% ownership in the Gold Brook claim group. The anniversary payments may be made, at the Company's election, up to 50% in shares. This claim is subject to a 2% net smelter return on production; however, the Company may re-purchase 1% of the net smelter return for either \$1,000,000, or increments of \$500,000 per 0.50% net smelter return.

The carrying value of the Gold Brook property at September 30, 2020 is \$9,900 (2019 - \$nil).

6. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND RELATED-PARTY TRANSACTIONS

Accounts payable, accrued liabilities and related-party transactions are broken out between related parties and trade payables.

Compensation awarded to key management was consulting fees of \$191,800 (2019 - \$72,000) which management has chosen to defer reimbursement of pending future financing, option issuances valued at \$457,000 (2019 - \$98,200), and an issuance of 600,000 common shares, valued at \$42,000 (2019 - \$nil). Key management includes the Company's officers and directors. Also included in accounts payable and accrued liabilities at September 30, 2020 is \$393,682 (December 31, 2019 - \$111,389) owing to officers and directors of the Company primarily for deferred consulting fees and expenses incurred on behalf of the Company.

Of the total compensation paid to key management, \$10,000 (2019 - \$16,000) was capitalized as mineral exploration and evaluation assets during the period.

Payables that are incurred in the current normal course of business are kept current through the use of funds raised in private placements.

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7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares, without nominal or par value.

b) Issuance of securities

- i) During June 2019, the Company completed a common share consolidation on the basis of six old shares per one new share. Subsequent to the consolidation, the Company has a total of 35,037,087 outstanding common shares.
- ii) During July 2019, the Company issued 1,777,500 units at a price of \$0.08 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 24 months from the closing at an exercise price of \$0.10 per share. Additionally, the Company issued 1,211,111 flow-through units at a price of \$0.09 per flow-through unit. Each flow-through unit consisted of one common share issued on a flow-through basis and one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 12 months from the closing at an exercise price of \$0.12 per share. The Company issued 84,777 finders' warrants exercisable at \$0.09 for 18 months from the date of issue in connection with the private placement, recorded as a share issue cost of \$4,691. The fair value of each finders' warrant granted estimated using the Black-Scholes pricing model for the issuance of warrants was \$0.0553, using the following assumptions: weighted average life of 1.5 years; risk-free rate of 1.51%; expected volatility of 171%; and, a dividend yield of 0%. The flow-through share issuance included a premium of \$12,111, recorded as a liability of the Company. This premium of \$12,111 was recognized as income during the first quarter of 2020, when the exploration expense renunciation was filed with the Government of Canada.
- iii) During November 2019, the Company issued 300,000 common shares, recorded at their market value of \$18,000, in connection with the acquisition of the McIntyre Brook property (See Note 5).
- iv) During December 2019, the Company issued 4,000,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.09 per share for 24 months from the date of issue.
- v) During December 2019, the Company issued 873,786 common shares, recorded at their market value of \$52,427, in connection with the 2019 annual option payment on the Golden Culvert property.
- vi) During December 2019, the Company issued 833,333 common shares, recorded at their market value of \$50,000, as final payment to the nominees of South Shore (see Note 5).
- vii) During January 2020, the Company issued 15,000 common shares for \$1,500 as a result of the exercise of 15,000 warrants.
- viii) During February 2020, the Company issued 590,000 common shares, recorded at their market value of \$64,900, in connection with the acquisition of the McIntyre-Moose Brook and Gold Brook claim groups (Note 5).
- ix) During June 2020, the Company issued 600,000 common shares, recorded at their market value of \$42,000, to officers of the Company.
- x) During July 2020, the Company issued 1,468,111 common shares for \$168,963 as a result of the exercise of 1,468,111 warrants.
- xi) During August 2020, the Company issued 700,000 common shares for \$70,000 as a result of the exercise of 700,000 options.

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7. SHARE CAPITAL (Continued)

b) Issuance of securities (continued)

- xii) During August 2020, the Company issued 22,439,950 units at a price of \$0.20 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 24 months from the date of close at an exercise price of \$0.30 per share. If the closing price of the common shares is at a price equal to or greater than \$0.40 for a period of 10 consecutive trading days, the Company has the right to accelerate the expiry date of these warrants by giving notice, via a news release, to the holders of the warrants that the warrants will expire within 30 days after the issuance of the news release. Additionally, the Company issued 1,320,000 flow-through units at a price of \$0.25 per flow-through unit. Each flow-through unit consisted of one common share issued on a flow-through basis and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 24 months from the date of issue at an exercise price of \$0.35 per share. If the closing price of the common shares is at a price equal to or greater than \$0.45 for a period of 10 consecutive trading days, the Company has the right to accelerate the expiry date of these warrants by giving notice, via a news release, to the holders of the warrants that the warrants will expire within 30 days after the issuance of the news release. The flow-through share issuance included a premium of \$66,000, recorded as a liability of the Company. This premium will be recognized as income during the first quarter of 2021, when the exploration expense renunciation is filed with the Government of Canada. The Company issued 115,000 finders' warrants exercisable at \$0.30 for 24 months from the date of issue in connection with the private placement, recorded as a share issue cost of \$575.
- xiii) During August 2020, the Company issued 400,000 common shares for \$40,000 as a result of the exercise of 400,000 warrants.
- xiv) During September 2020, the Company issued 100,000 common shares for \$12,000 as a result of the exercise of 100,000 warrants.

c) Stock options

The Company has a stock-based compensation plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. The fair value of each option granted, for the most recent option grant, estimated using the Black-Scholes option pricing model for the issuance of options was \$0.22, using the following assumptions: weighted average life of 5 years; risk-free rate of 2.0%; expected volatility of 596%; and, a dividend yield of 0%. All options granted vest 50% in year one and 50% in year 2, and a forfeiture rate of 0% was used. The company granted 5,100,000 options during 2020.

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**7. SHARE CAPITAL (Continued)**

**c) Stock options**

The following table summarizes the stock option transactions:

	Number	Weighted average exercise price
Outstanding at December 31, 2018	1,122,221	\$ 0.301
Granted	2,300,000	0.10
<b>Outstanding at December 31, 2019</b>	<b>3,422,221</b>	<b>0.166</b>
Granted	5,100,000	0.20
Exercised	(700,000)	0.10
Expired	(588,888)	0.30
<b>Outstanding at September 30, 2020</b>	<b>7,233,333</b>	<b>\$ 0.188</b>

The weighted average exercise prices were modified to reflect the revised exercise prices after the share consolidation.

The following table summarizes the options outstanding and exercisable as at September 30, 2020:

Options outstanding	Exercise price	Expiry date
300,000	\$ 0.10	January 15, 2021
300,000	0.10	March 15, 2021
33,333	0.33	April 30, 2021
500,000	0.30	October 13, 2022
1,300,000	0.10	July 16, 2024
500,000	0.10	January 16, 2025
800,000	0.10	May 19, 2025
3,500,000	0.25	September 28, 2025
<b>7,233,333</b>	<b>\$ 0.188</b>	

**d) Warrants**

The following table summarizes the warrant transactions:

	Number	Weighted Average Exercise price
<b>Outstanding at December 31, 2018</b>	<b>3,062,748</b>	<b>\$ 0.0455</b>
Expired during the year (pre-consolidation)	(52,784)	0.90
Private placement	5,073,388	0.098
Expired during the year (post-consolidation)	(1,972,812)	0.43
<b>Outstanding at December 31, 2019</b>	<b>6,110,540</b>	<b>0.1651</b>
Warrant issued	11,994,975	0.306
Warrants exercised	(1,983,114)	0.107
<b>Outstanding at September 30, 2020</b>	<b>16,122,401</b>	<b>\$ 0.258</b>

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**7. SHARE CAPITAL (Continued)**

**d) Warrants (continued)**

The following table summarizes the warrants outstanding and exercisable as at September 30, 2020:

Warrants outstanding	Exercise price	Expiry date
84,777	\$ 0.09	January 22, 2021
319,166	0.20	March 26, 2021
149,493	0.20	April 12, 2021
545,574	0.20	May 7, 2021
22,916	0.20	June 28, 2021
1,005,500	0.10	July 22, 2021
2,000,000	0.09	December 12, 2021
2,987,475	0.30	August 21, 2022
230,000	0.40	August 21, 2022
8,347,500	0.30	September 24, 2022
430,000	0.40	September 24, 2022
<b>16,122,401</b>	<b>\$0.258</b>	

In March 2020, the Company extended and re-priced the following warrants:

- 319,166 warrants exercisable at \$0.48 with an expiry date of March 26, 2020 are now exercisable at \$0.20 with an expiry date of March 26, 2021;
- 149,493 warrants exercisable at \$0.48 with an expiry date of April 12, 2020 are now exercisable at \$0.20 with an expiry date of April 12, 2021;
- 545,574 warrants exercisable at \$0.48 with an expiry date of May 7, 2020 are now exercisable at \$0.20 with an expiry date of May 7, 2021; and
- 22,916 warrants exercisable at \$0.48 with an expiry date of June 28, 2020 are now exercisable at \$0.20 with an expiry date of June 28, 2021.

In addition, the re-priced and extended warrants contain an acceleration clause, in that if the shares trade at or more than \$0.24 for a 10-day period, the expiry date shall terminate upon 30 days' notice. The Company treated this re-pricing event as the cancellation and issuance of new warrants, and as a result recognized a charge to share capital, and a corresponding increase to contributed surplus in the amount of \$46,803, estimated using the Black-Scholes option pricing model using the following assumptions: weighted average life of 1-1.25 years; risk-free rate of 1.23%; expected volatility of 390%; and, a dividend yield of 0%. All warrants granted vested immediately, and therefore a forfeiture rate of 0% was used.

**e) Nature and purpose of equity and reserves**

The reserves recorded in equity on the Company's statement of financial position include contributed surplus, and accumulated deficit.

Contributed Surplus is used to recognize the value of stock option grants and share warrants prior to exercise. Any proceeds received prior to the issuance of shares will be recorded as contributed surplus until the shares are issued, at which time the amount will be recognized as share capital.

Accumulated Deficit is used to record the Company's change in deficit from earnings from year to year.

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## 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

### General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's Finance function. The Board of Directors receive monthly reports from the Company's financial controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

#### a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk:

- i) Foreign currency risk;
- ii) Interest rate risk;
- iii) Commodity price risk; and,
- iv) Equity price risk.

The Company is exposed to foreign currency risk in that some of its accounts payables are denominated in a foreign currency. Management believes that the Company is not exposed to significant foreign currency risk. In addition, the Company is exposed to equity price risk as a result of its marketable securities (Note 3). Management monitors the equity price of the investment to manage its exposure to the equity price risk.

#### b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk include cash, term deposit and GST receivable. Cash and term deposit are maintained with financial institutions and may be redeemed upon demand and GST is due from the government. Both the financial and government institutions are considered reputable and creditworthy institutions.

The carrying amount of cash and term deposit represents the maximum credit exposure. The Company has gross credit exposure at September 30, 2020 and December 31, 2019 of \$4,321,436 and \$26,076, respectively. Management considers that all financial assets held are of good credit quality, and therefore credit risk is not considered significant.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**c) 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 policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Typically, the Company ensures that it has sufficient cash to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities in conjunction with its daily cash position.

**Determination of fair value:**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, term deposit, accounts payable and accrued liabilities approximate fair value due to their short-term nature. Marketable securities are measured at fair value as the balance is derived from quoted prices in an active market. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

**Fair value hierarchy:**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the marketable securities is based on quoted prices and is therefore considered to be Level 1.

**9. COMMITMENTS**

The Company is committed to make the payments as described in Note 5 in order to exercise the options on its various exploration and evaluation properties.

As a result of the flow-through private placements closed by September 30, 2020, the Company is committed to incur qualifying exploration expenditures of \$330,000 before December 31, 2021.



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**10. CAPITAL MANAGEMENT**

The Company considers its capital to comprise share capital, contributed surplus, and deficit. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business.

The Company is not exposed to any externally imposed capital requirements.

**11. SUBSEQUENT EVENTS**

The following events occurred subsequent to September 30, 2020:

- The Company received an additional \$1,936,500 as proceeds from the issuance of flow-through and non-flow through common shares;
- The Company has entered into a definitive option agreement, the Tardiff Brook Option, to acquire an additional 7 claims prospective to its existing McIntyre Brook property. The Company will issue 200,000 common shares to the owners. Payments on the first, second, third, and fourth anniversaries of signing of \$15,000, \$15,000, \$30,000 and \$40,000, respectively, are required to maintain the option, which may be paid, at the Company's election, up to 50% in shares.
- The Company and the owners of the McIntyre Brook claim have agreed to an amendment to the option agreement to include an additional claim adjacent to the main McIntyre Brook claim group that was originally subject to acquisition by a right of first refusal. The Company agreed to remove the provision that allowed it to pay up to 50% of the annual cash payments with Company shares, and to include the payment of an additional 400,000 shares of the Company to the owners.
- On November 30, 2020, the Company provided notice that its shares have now traded above \$0.24 for a 10-day inclusive period between November 17 2020 and November 27 2020 and, as such, also provides notice that an aggregate of 1,037,152 previously issued warrants that were re-priced and extended for an additional 1 year are now due to expire at 4pm eastern time on December 29, 2020. The warrants in question, post-2019 consolidation, are:
  1. March 26, 2018 - 319,166 Warrants exercisable at \$0.20, (\$0.48 pre-consolidation), with a previous expiry date of March 26, 2021,
  2. April 12, 2018 - 149,496 Warrants exercisable at \$0.20, (\$0.48 pre-consolidation), with a previous expiry date of April 12, 2021;
  3. May 7, 2018 - 545,574 Warrants exercisable at \$0.20, (\$0.48 pre-consolidation), with a previous expiry date of May 7, 2021;
  4. June 28, 2018 - 22,916 Warrants exercisable at \$0.20, (\$0.48 pre-consolidation), with a previous expiry date of June 28, 2021.