EnGold

ENVIRONMENT. ENGAGEMENT. GOLD.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim 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 condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

EnGold Mines Ltd.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
Unaudited

As at		March 31, 2020		September 30, 2019
ASSETS				
Current				
Cash	$	152,188	$	94,091
Receivables		15,751		11,838
Prepaid expenses		65,173		32,821
Total current assets		233,112		138,750
Reclamation deposits (Note 4)		147,000		147,000
Other assets		1,008		1,008
Restricted cash (Note 5)		11,500		11,500
Equipment and right-of-use assets (Note 6)		170,892		38,680
Mineral properties (Note 7)		2,573,909		2,573,909
Total assets	$	3,137,421	$	2,910,847
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Notes 10 and 11)	$	693,380	$	541,718
Current portion of lease liabilities (Note 8)		41,876		-
Other liabilities (Note 9)		179,769		95,839
Total current liabilities		915,025		637,557
Lease liabilities (Note 8)		97,365		-
Total liabilities		1,012,390		637,557
Shareholders' equity				
Share capital (Note 9)		42,086,944		41,579,039
Reserves (Note 9)		13,754,907		13,664,525
Deficit		(53,716,820)		(52,970,274)
Total shareholders' equity		2,125,031		2,273,290
Total liabilities and shareholders' equity	$	3,137,421	$	2,910,847

Nature of operations and the ability to continue as a going concern (Note 1)
Commitments and contingencies (Note 11)

Approved and authorized by the Board of Directors on May 28, 2020:

"Robert Gordon" Director *"David Brett"* Director
Robert Gordon David Brett

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

EnGold Mines Ltd.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
Unaudited

	For the three months ended March 31, 2020	For the three months ended March 31, 2019	For the six months ended March 31, 2020	For the six months ended March 31, 2019
EXPENSES				
Depreciation (Note 6)	$ 13,227	$ 2,418	$ 26,454	$ 4,835
Mineral property expenditures	200,898	140,784	265,431	374,924
Filing and regulatory	9,926	15,836	14,986	21,406
Insurance	6,157	6,737	10,876	13,473
Office and other	5,529	11,699	13,940	24,919
Management and consulting (Notes 10 and 11)	51,075	64,222	103,103	136,517
Professional fees (Notes 10 and 11)	256,190	4,028	282,129	308,073
Share-based payments	37,765	90,394	78,116	190,295
Shareholder communications	3,670	2,524	6,300	6,424
Travel and promotion	4,160	5,791	4,160	9,879
	(588,597)	(344,433)	(805,495)	(1,090,745)
OTHER ITEMS				
Lease accretion (Note 8)	(3,646)	-	(7533)	-
Other income (Note 9)	44,177	12,178	66,482	36,618
Loss and comprehensive loss for the period	$ (548,066)	$ (332,255)	$ (746,546)	$ (1,054,127)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	222,302,756	208,137,864	218,471,295	207,026,633

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

EnGold Mines Ltd.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
Unaudited

For the six-month period ended March 31,		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$	(746,546)	$	(1,054,127)
Non-cash items:				
Depreciation		26,454		4,835
Lease accretion		7,533		-
Other income		(66,482)		(36,618)
Share-based payments		78,116		190,295
Changes in non-cash working capital items:				
Receivables		(3,913)		8,387
Prepaid expenses		(32,352)		6,589
Accounts payable and accrued liabilities		164,162		247,864
Net cash used in operating activities		(573,028)		(632,775)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from private placements		739,250		280,500
Exercise of warrants		-		262,866
Payments of lease liabilities		(26,958)		-
Share issuance costs		(81,167)		(29,074)
Net cash provided by financing activities		631,125		514,292
Change in cash during the period		58,097		(118,483)
Cash, beginning of period		94,091		219,754
Cash, end of period	$	152,188	$	101,271
Supplemental cash flow information:				
Broker warrants issued as share issuance costs	$	12,266	$	3,871
Lease liabilities and right-of use assets recognized on adoption of IFRS 16	$	158,666	$	-
Fair value of warrants exercised	$	-	$	22,086
Shares issued to settle accounts payable and accrued liabilities	$	12,500	$	-
Flow-through premium liability recognized	$	150,142	$	50,089

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

EnGold Mines Ltd.
STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
Unaudited

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance, September 30, 2018	203,123,462	$ 40,695,116	$ 13,391,418	$ (51,189,030)	2,897,504
Private placements – flow through	2,003,572	280,500	-	-	280,500
Share issuance costs – cash	-	(29,074)	-	-	(29,074)
Share issuance costs – warrants	-	(3,871)	3,871	-	-
Flow-through premium liability	-	(50,089)	-	-	(50,089)
Exercise of warrants	3,010,830	284,952	(22,086)	-	262,866
Shares-based payments	-	-	190,295	-	190,295
Loss for the period	-	-	-	(1,054,127)	(1,054,127)
Balance, March 31, 2019	208,137,864	41,177,534	13,563,498	(52,243,157)	2,497,875
Private placements – flow through	5,325,757	602,500	-	-	602,500
Share issuance costs – cash	-	(62,500)	-	-	(62,500)
Share issuance costs – warrants	-	(16,980)	16,980	-	-
Flow-through premium liability	-	(121,515)	-	-	(121,515)
Share-based payments	-	-	84,047	-	84,047
Loss for the period	-	-	-	(727,117)	(727,117)
Balance, September 30, 2019	213,463,621	41,579,039	13,664,525	(52,970,274)	2,273,290
Private placements – flow through	8,108,824	689,250	-	-	689,250
Private placements – non-flow through	833,333	50,000	-	-	50,000
Share issuance costs – cash	-	(81,167)	-	-	(81,167)
Shares for debt	208,333	12,500	-	-	12,500
Flow-through premium liability	-	(150,412)	-	-	(150,412)
Exercise of warrants	-	(12,266)	12,266	-	-
Share-based payments	-	-	78,116	-	78,116
Loss for the period	-	-	-	(746,546)	(746,546)
Balance, March 31, 2020	222,614,111	$ 42,086,944	$ 13,754,907	$ (53,716,820)	$ 2,125,031

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

1. NATURE OF OPERATIONS AND THE ABILITY TO CONTINUE AS A GOING CONCERN

EnGold Mines Ltd. (the “Company”) was incorporated in British Columbia under the Business Corporations Act. The Company is in the business of exploring for and evaluating economically viable mineral properties in Canada.

The Company’s registered and records office is 120 – 601 West Cordova Street, Vancouver, BC V6B 1G1.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are 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.

These condensed interim financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. For the period ended March 31, 2020, the Company incurred a loss of $746,546, has an accumulated deficit of $53,716,820 and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful and if so, that the funding will be provided on terms acceptable to the Company.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with the International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Presentation

The condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

2. BASIS OF PREPARATION *(cont'd…)*

Use of Estimates and Judgments

Critical accounting estimates

i. Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's options and warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Critical accounting judgments

i. The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

ii. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii. The estimate for contingencies and settlement provisions require management to make judgments as to the likelihood of outcomes and estimates of the timing and the possible outflow of economic benefits.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the adoption of IFRS 16, the accounting policies applied in these condensed interim financial statements are the same as those applied in the most recent audited annual financial statements as at and for the year ended September 30, 2019 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

New standards and interpretations adopted

IFRS 16 Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on October 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. For all leases, the lease liability was measured at October 1, 2019 as the present value of any future minimum lease payments discounted using the appropriate incremental borrowing rate. The associated right of use assets was measured at the amount equal to the lease liability on October 1, 2019.

The following leases accounting policies have been applied as of October 1, 2019 on adoption of IFRS 16:

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess whether the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

New standards and interpretations adopted *(cont'd…)*

As a lessee, we recognize a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, we have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

<u>Impact of transition to IFRS 16:</u>

Effective October 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for the year ended September 30, 2019 has not been restated. The cumulative effect of initial application is recognized in deficit at October 1, 2019. Comparative amounts for the year ended September 30, 2019 remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liabilities. Lease liabilities have been measured by discounting future lease payments at the incremental borrowing rate at October 1, 2019. The incremental borrowing rate applied was 10% per annum and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment.

As of the initial date of application of IFRS 16, the Company has two leases outstanding with remaining non-cancelable periods of 18 and 68 months. The application of IFRS 16 to leases, previously classified as operating leases under IAS 17, resulted in the recognition of right-of-use assets of $158,666 included within equipment and right-of-use assets (Note 6) and lease liabilities (Note 8) with no net impact on deficit.

4. RECLAMATION DEPOSITS

As at March 31, 2020 the Company held $147,000 (September 30, 2019 - $147,000) in deposits with a financial institution as security for reclamation requirements.

5. RESTRICTED CASH

Restricted cash consists of a term deposit of $11,500 (September 30, 2019 - $11,500) held as security for a corporate credit card.

(Expressed in Canadian Dollars)

6. EQUIPMENT AND RIGHT-OF-USE ASSETS

	Right-Of-Use assets	Field Equipment	Vehicles	Office Furniture and equipment	Total
Cost					
Balance, September 30, 2018	$ -	$ 102,713	$ 104,710	$ 53,679	$ 261,102
Additions	-	-	35,626	-	35,626
Balance, September 30, 2019	-	102,713	140,336	53,679	296,728
Adoption of IFRS 16	158,666	-	-	-	158,666
Balance, March 31, 2020	158,666	102,713	140,336	53,679	455,394
Accumulated depreciation					
Balance, September 30, 2018	-	96,072	99,554	52,753	248,379
Additions	-	1,328	8,156	185	9,669
Balance, September 30, 2019	-	97,400	107,710	52,938	258,048
Additions	22,586	531	3,263	74	26,454
Balance, March 31, 2020	$ 22,586	$ 97,931	$ 110,973	$ 53,012	$ 284,502
As at September 30, 2019	$ -	$ 5,313	$ 32,626	$ 741	$ 38,680
As at March 31, 2020	$ 136,080	$ 4,782	$ 29,363	$ 667	$ 170,892

7. MINERAL PROPERTIES

	Lac La Hache
Balance, September 30, 2018	$ 2,572,409
Additions	1,500
Balance, September 30, 2019 and March 31, 2020	$ 2,573,909

Balance of mineral properties represents acquisitions costs paid by the Company.

Lac La Hache

The following descriptions apply to adjacent properties in the Clinton Mining and Cariboo Divisions located near Lac La Hache, British Columbia:

a) Miracle/Murphy

The Company owns a 100% interest in four mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated October 27, 1994, there is a 2% net smelter return (“NSR”) which will be reduced to 1% upon an aggregate total payment of $1,500,000 to the original vendor.

b) Peach Lake

The Company owns an 100% interest in a number of mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache that were acquired under option agreements with the original vendors. Under the terms of an agreement dated December 1, 1994, there is a 3% NSR due to the original vendor on four of the original seven claims acquired to a maximum of $500,000 and a 1% NSR in favour of Peach Lake Resources Ltd., purchasable at any time for $3,000,000.

7. MINERAL PROPERTIES *(cont'd…)*

Lac La Hache *(cont'd…)*

b) Peach Lake *(cont'd…)*

During the year ended September 30, 2018, the Company signed an agreement amending the Peach Lake Resources Ltd. NSR purchase price from \$3,000,000 to \$2,000,000. In exchange for the revised agreement, the Company paid \$10,000 cash and issued 350,000 common shares valued at \$73,500.

c) Ann

The Company owns a 100% interest in two mineral claims located in the Clinton Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreements, the claims are subject to a 5% net profits royalty to a maximum of \$500,000.

d) Murphy Lake

The Company owns a 100% interest in a number of mineral claims located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of an agreement dated June 3, 1993, the Company has agreed with the original vendor to issue 300,000 common shares, when it is confirmed that an ore body exists and the plans to commence commercial production are in place, and pay a 3% NSR to a maximum of \$1,000,000. No shares have been issued to the date of these financial statements.

e) PMA/Cassidy

The Company owns a 100% interest in four mineral claims, located in the Cariboo Mining Division of British Columbia, located near Lac La Hache. Under the terms of the agreement dated February 14, 2000, the Company is not required to pay a NSR to the original vendor.

f) Candorado Option Agreement

During the year ended September 30, 2012, the Company and Candorado Operating Company Ltd. ("Candorado") entered into an option agreement (the "Agreement") whereby the Company acquired a 100% interest in certain mineral claims located east of Williams Lake, BC, near Lac La Hache (the "Claims").

During the three month period ended December 31, 2012, the Agreement was amended such that a 2% NSR obligation of the Company in favour of Candorado was waived by Candorado, and certain NSR obligations of Candorado were assumed by the Company, which assumed NSRs related to two separate blocks of the Claims (acquired under two separate 2004 option agreements with different optionees). Certain of the Claims acquired by the Company under the Agreement are now subject to a 2% NSR in favour of two optionees, purchasable by the Company at any time for \$1,000,000 (\$500,000 to each optionee). Certain other of the Claims are also subject to a 2% NSR in favour of two other optionees, which NSR is similarly purchasable by the Company at any time for \$1,000,000 (\$500,000 to each optionee).

Red Property

On July 5, 2016, the Company entered into a joint agreement with Pacific Empire Minerals Corp. ("PEMC") that is accounted for as a joint operation under IFRS 11 *Joint Arrangements*. Both parties hold certain adjacent claims located in the Clinton Mining Division of British Columbia and agreed to combine into single property to be known as the Red Property (the "Property") and form an unincorporated joint operation for the purpose of exploring and developing the Property. The participating interests of both parties at the time of the joint operation is 50% with each party responsible for payment of its proportionate share of operating and capital costs, including reclamation and remediation obligations.

Upon formation of the joint operation, a management committee (the "Management Committee") consisting of two representatives of each party and holding voting rights in accordance with each party's participating interest, was established which shall make all decisions which are required to be made by the joint operation participants. The Management Committee shall be responsible for the exploration and development of the Property and for the negotiation of any option or sale of the Property.

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES *(cont'd…)*

Red Property *(cont'd…)*

During the year ended September 30, 2018, PEMC carried out exploration work on the Property at their sole expense with no dilution to EnGold. The term of the PEMC agreement extended to December 31, 2018 and expired at that time. The Company retains a 100% interest in its original claim, as single mineral tenure subject to a 1.5% NSR payable to the vendor to a maximum of $3,000,000.

8. LEASE LIABILITIES

Pursuant to the adoption of IFRS 16 (Note 3), the Company has recognized the impact of lease obligations as of October 01, 2019. As at October 1, 2019, the Company's two leases had undiscounted remaining payments of $200,326. Using a discount rate of 10%, the Company recognized additions to lease liabilities and Right-of-Use assets of $158,666. The following summarizes the undiscounted minimum lease payments under the lease liabilities as at March 31, 2020:

Fiscal year		Payment
2020	$	26,958
2021		41,292
2022		28,669
2023		28,669
2024		28,669
2025		19,112
Amount representing future lease accretion		(34,128)
Lease liabilities as at March 31, 2020	$	139,241

The following is a reconciliation of the changes in the lease liabilities:

		March 31, 2020
Opening balance	$	-
Lease liabilities recognized on adoption of IFRS 16		158,666
Lease accretion		7,533
Payments		(26,958)
		139,241
Current portion of lease liabilities		(41,876)
Lease liabilities	$	97,365

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

During the period ended March 31, 2020:

a) closed a tranche of a non-brokered private placement by issuing 833,333 Non-Flow-Through Units (each, a "NFT Unit") at a price of $0.06 per NFT Unit for gross proceeds of $50,000. Each NFT Unit consists of one common share and one warrant, whereby each whole warrant entitles the holder to purchase one common share at a price of $0.10 per share for a period of one year. No finder's fees were paid in connection with the issue of the NFT units; and

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

b) Issued share capital *(cont'd…)*

b) The Company issued 208,333 common shares with a fair value of $0.06 per common share to settle accounts payable and accrued liabilities with a third party valued at $12,500.

c) The Company completed the first tranche of a non-brokered private placement by issuing 4,705,882 Flow Through Units (each, a "FT Unit") for gross proceeds of $400,000. Each FT Unit consists of one flow-through share and one-half of one warrant, whereby each whole warrant entitles the holder to purchase one non-flow-through common share at a price of $0.10 per share for a period of one year. The Company paid finders' fees in connection with the financing consisting of $32,000 cash and 376,470 agents warrants entitling the holders to purchase one non flow-through share at a price of $0.10 for one year. The agent's warrants were fair valued at $5,817 using the Black-Scholes pricing model using a share price of $0.065, expected life of one year, and a volatility of 94.03%. As at December 31, 2019, the Company not yet incurred any of the required flow-through expenditures.

d) The Company completed the second tranche of a non-brokered private placement by issuing 2,352,942 FT Units for gross proceeds of $200,000. Each FT Unit consists of one flow-through share and one-half of one warrant, whereby each whole warrant entitles the holder to purchase one non-flow-through common share at a price of $0.10 per share for a period of one year. The Company paid finders' fees in connection with the financing consisting of $16,000 cash and 188,235 agents warrants entitling the holders to purchase one non flow-through share at a price of $0.085 for two years. The agent's warrants were fair valued at $6,185 using the Black-Scholes pricing model using a share price of $0.07, expected life of two years, and a volatility of 97.34%. As at December 31, 2019, the Company not yet incurred any of the required flow-through expenditures.

e) The Company completed the third tranche of a non-brokered private placement by issuing 1,050,000 FT Units for gross proceeds of $89,250. Each FT Unit consists of one flow-through share and one-half of one warrant, whereby each whole warrant entitles the holder to purchase one non-flow-through common share at a price of $0.10 per share for a period of one year. The Company paid finders' fees in connection with the financing consisting of $1,496 cash and 17,600 agents warrants entitling the holders to purchase one non flow-through share at a price of $0.10 for one year. The agent's warrants were fair valued at $264 using the Black-Scholes pricing model using a share price of $0.07, expected life of one year, and a volatility of 92.41%. As at December 31, 2019, the Company not yet incurred any of the required flow-through expenditures. In connection with the closing of the three tranches, the Company incurred additional closing costs of $31,671.

During the year ended September 30, 2019:

a) The Company completed a non-brokered private placement of 2,003,572 flow-through units (each, a "FT Unit") at a price of $0.14 per FT Unit for gross proceeds of $280,500. Each FT Unit is comprised of one flow-through common share and one share purchase warrant (a "Warrant"). Each Warrant is exercisable at $0.20 per share for a period of one year. The Company paid a finder's fee of $14,000 and issued 100,000 agent's warrants exercisable at $0.14 for one year. The agent's warrants were fair valued at $3,871 using the Black-Scholes pricing model using a share price of $0.12, expected life of one year, and a volatility of 102.02%. The Company incurred additional closing costs of $15,074 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $50,089. During the year ended September 30, 2019, the Company spent all of the required flow-through expenditures under the issuance and $50,089 was recognized in the statement of comprehensive loss as other income.

b) the Company completed a non-brokered private placement of 1,666,666 flow-through units (each, a "FT Unit") at a price of $0.12 per FT Unit for gross proceeds of $200,000. Each FT Unit is comprised of one flow-through common share and one-half of one share purchase warrant (a "Warrant"). Each full Warrant is exercisable at $0.16 per share for a period of one year. The Company paid a finder's fee of $14,000 and issued 116,666 agent's warrants exercisable at $0.16 for one year. The agent's warrants were fair valued at $3,057 using the Black-Scholes pricing model using a share price of $0.10, expected life of one year, and a volatility of 102.86%. The Company incurred additional closing costs of $750 in connection with the offering. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $33,333. During the year ended September 30,2019, the Company spent approximately 77% of the required flow-through expenditures under the issuance and $25,676 was recognized in the statement of comprehensive loss as other income.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

b) Issued share capital *(cont'd…)*

c) the Company completed a non-brokered private placement of 2,909,091 flow-through common shares (each, a "FT Share") at a price of $0.11 per FT Share for gross proceeds of $320,000. The Company paid finders' fees of $39,500 and issued 290,909 agent's warrants exercisable at $0.12 for two years. The agent's warrants were fair valued at $12,103 using the Black-Scholes pricing model using a share price of $0.09, expected life of two years, and a volatility of 100.83%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $58,182. As at September 30, 2019, the Company not yet incurred any of the required flow-through expenditures.

d) the Company completed a non-brokered private placement of 750,000 flow-through common shares (each, a "FT Share") at a price of $0.11 per FT Share for gross proceeds of $82,500. The Company paid finders' fees of $8,250 and issued 65,000 agent's warrants exercisable at $0.12 for two years. The agent's warrants were fair valued at $1,820 using the Black-Scholes pricing model using a share price of $0.07, expected life of two years, and a volatility of 100.37%. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common share and recorded a flow-through liability of $30,000. As at September 30, 2019, the Company not yet incurred any of the required flow-through expenditures.

c) Stock options and warrants

The Company has a share purchase option plan approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, and employees. The share purchase option plan (the "2011 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of 7.5% of the Company's outstanding common shares, and may not exceed 5% to any individual, calculated from time to time. During the year ended September 30, 2018, the Rolling Option Plan was amended such that the maximum number of eligible shares reserved for issuance under the plan be reduced from 7.5% to 5% of the Company's outstanding common shares, of which 1.70% have been issued. Pursuant to the 2011 Rolling Option Plan, if outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the plan increases proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts).

Under the Plan, if an optionee ceases to be a director, officer or employee for any reason other than death, this option shall terminate as specified by the Board and all rights to purchase common shares under such option shall cease and expire and be of no further force or effect. Options have a maximum term of five years and depending on who the optionee is and whether the optionee resigned or is terminated, will terminate on the effective date of resignation or termination or 18 months following termination, except in the case of death, in which case they terminate one year after death. Unless otherwise noted vesting of options is made at the time of granting of the options at the discretion of the Board of Directors. Vested options are exercisable at any time.

During the period ended March 31, 2020, the Company granted 2,630,000 options (2019 – nil). The weighted average fair value of options granted during the period ended March 31, 2020 was $0.01 (2019 - $nil). Total share-based payments recognized in the statement of shareholders' equity for the period ended March 31, 2020 was $78,116 (2019 - $190,295) for incentive options vested and was recognized in the profit or loss. The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	March 31, 2020	**September 30, 2019**
		-
Weighted average share price	$0.03	-
Risk-free interest rate	0.68%	-
Expected life of option	3.00 years	-
Expected annualized volatility	107.64%	-
Expected dividend rate	Nil	-

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES *(cont'd…)*

c) Stock options and warrants *(cont'd…)*

Stock option and share purchase warrants transactions are summarized as follows:

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2018	4,105,996	$ 0.39	18,254,189	$ 0.33
Issued	-	-	3,409,480	0.18
Expired and cancelled	(1,499,332)	0.36	(11,955,250)	0.38
Exercised	-	-	(3,010,830)	0.09
Balance, September 30, 2019	2,606,664	0.40	6,697,589	0.29
Issued	2,630,000	0.10	5,470,051	0.10
Expired and cancelled	(1,449,998)	0.40	(2,103,572)	0.20
Balance, March 31, 2020 - outstanding	3,786,666	$ 0.19	10,064,068	$ 0.19
Balance, March 31, 2020 - exercisable	1,090,000	$ 0.40	10,064,068	$ 0.19

As at March 31, 2020, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
Stock Options	66,666	$ 0.40	August 8, 2020
	1,023,334	$ 0.40	March 16, 2021
	66,666	$ 0.40	August 8, 2021
	2,630,000	$ 0.10	March 17, 2023
	3,786,666		

As at March 31, 2020, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
Share Purchase Warrants	2,599,743	$ 0.40	May 16, 2020(1)
	206,510	$ 0.35	May 16, 2020(1)
	399,466	$ 0.40	August 10, 2020
	82,390	$ 0.35	August 10, 2020
	949,999	$ 0.16	April 5, 2020(1)
	290,909	$ 0.12	July 2, 2021
	65,000	$ 0.12	September 24, 2021
	2,729,412	$ 0.10	December 17, 2020
	1,176,471	$ 0.10	December 18, 2021
	188,235	$ 0.085	December 18, 2021
	542,600	$ 0.10	December 27, 2020
	833,333	$ 0.10	February 4, 2021
	10,064,068		

(1) Subsequent to the period ended March 31, 2020, all of these warrants expired unexercised

10. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, Vice President of Exploration and Directors of the Company. The remuneration of the key management personnel for the period ended March 31, 2020 is as follows:

- Included in management, salaries, and consulting fees was $60,000 (2019 - $60,000) for services provided by the CEO, $12,000 (2019 - $12,000) paid to the corporate secretary, and $24,000 (2019 - $24,000) to a company that employs the CFO of the Company.

- Included in exploration and evaluation expenditures are $55,360 (2019 - $54,400) for geological consulting services to a company controlled by the Vice President of Exploration.

- Share based payments of $70,655 (2019 - $249,195) related to the fair value of stock options issued to key management personnel.

An amount of $4,200 (September 30, 2019 - $20,516) included in accounts payable is owed to related parties. These balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand. Included in prepaid expenses was $14,000 (September 30, 2019 - $nil) advanced to related parties.

11. COMMITMENTS AND CONTINGENCIES

i) From time to time, certain claims, lawsuits, and complaints may arise in the ordinary course of operations against the Company. Provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. The Company is not aware of any material unrecorded contingent liabilities which require recording in the financial statements for the period ended March 31, 2020.

In addition to the above, a former senior officer of the Company commenced litigation against the Company alleging wrongful dismissal and claiming unspecified damages. During the period ended March 31, 2020, a judgment was reached, and the Company was ordered to pay $72,500 plus plaintiff's costs, estimated initially to be $60,000. As at September 30, 2019, the Company had accrued a total of $132,500 related to the judgment in accounts payable and accrued liabilities. On May 22, 2020, the Company received a court order to post $250,000 in security related to the plaintiff's costs of which $60,000 is payable 30 days from the order and the remaining $190,000 is payable within 90 days of the order. Accordingly, for the period ended March 31, 2020 the Company recognized an additional $190,000 in professional fees for the plaintiff's costs, increasing the total amount accrued in accounts payable and accrued liabilities to $322,500.

During the period ended March 31, 2020 the Company has filed a notice of appeal with the Court of Appeal.

ii) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors. As of March 31, 2020, the Company has an obligation to incur $769,982 (September 30, 2019 - $448,444) of eligible expenses pursuant to the terms of the flow through shares financing.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Interest 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 financial statements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

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, whilst 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 overall objective of the Board is to set policies that seek to reduce risk 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 changes in market prices, such as interest rates, commodity prices, 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 exposures within acceptable parameters, while optimizing the return. As at December 31, 2019, the Company is not materially exposed to market risk.

b) Interest Risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage risk. The Company's policy as it relates to its cash balances is to invest excess cash in a reputable Canadian chartered bank.

As of March 31, 2020, the Company's exposure to interest rate risk is cash with variable interest rate. A change in interest rates of 1% would not materially affect the Company's cash flows.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its reclamation deposit.

d) 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 always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company anticipates that the current funds are not sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure financing including additional equity offerings. However, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by, among other things, the strength of the capital markets.

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 values is disclosed in the notes specific to that asset or liability.

The statement of financial position carrying values for receivables, and accounts payable and accrued liabilities approximates fair value due to their short-term nature.

13. CAPITAL MANAGEMENT

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital consists of shareholder's equity comprising issued capital; share purchase warrants; reserves and deficit. The basis for the Company's capital structure is dependent on the Company's exploration programs. There were no changes in the Company's approach to capital management during the current period and the Company is not subject to externally imposed capital requirements, except when the Company issues flow-through shares. The Company is subject to certain requirements in relation to its use of funds raised through the issuance of flow-through shares. These funds have to be incurred for eligible exploration expenditures in accordance with Canadian federal and certain provincial income tax acts.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations this time.