



PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine months ended September 30, 2020 and 2019
(Stated in Canadian Dollars)

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated 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 financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
 Unaudited – Prepared by Management
 (Stated in Canadian Dollars)



	September 30, 2020	December 31, 2019
<u>ASSETS</u>		
Current assets		
Cash	\$ 710,839	\$ 27,829
Accounts receivable	6,195	24,117
Prepaid expenses and advances	97,411	60,368
Total Current assets	814,445	112,314
Non-Current assets		
Equipment, net	6,189	7,678
Exploration and evaluation assets – Note 5	2,250,549	2,028,347
Total Non-Current assets	2,256,738	2,036,025
Total Assets	\$ 3,071,183	\$ 2,148,339
<u>LIABILITIES</u>		
Current liabilities		
Trade and other payables – Note 7	\$ 24,046	\$ 189,664
Total Current liabilities	24,046	189,664
<u>EQUITY</u>		
Share capital – Note 6	5,834,604	4,442,522
Advance subscriptions	-	10,000
Equity reserves – Note 6	748,224	479,974
Accumulated deficit	(3,535,691)	(2,973,821)
Total Equity	3,047,137	1,958,675
Total Liabilities and Equity	\$ 3,071,183	\$ 2,148,339
Going concern of operations – Note 1		

APPROVED ON BEHALF OF THE DIRECTORS:

“Ronald Coombes”
 Ronald Coombes

Director

“Thomas Kennedy”
 Thomas Kennedy

Director

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

PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
Unaudited – Prepared by Management
(Stated in Canadian Dollars)



	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Expenses:				
Accounting and audit fees – Note 7	\$ 18,183	\$ 14,000	\$ 46,454	\$ 53,200
Amortization	489	484	1,489	1,463
Consulting fees – Note 7	29,000	6,000	73,000	10,000
Foreign exchange loss	(1,371)	(28,043)	(1,133)	5,920
Legal and corporate services – Note 7	13,069	8,925	28,802	30,411
Management fees – Note 7	12,000	17,797	36,000	40,340
Marketing	6,000	24,677	6,000	50,043
Office, rent and administration	15,474	16,785	31,357	53,903
Shareholder communications	39,620	74,660	84,380	129,793
Stock-based compensation – Notes 6 and 7	243,800	15,473	243,800	293,548
Transfer agent and filing fees	5,098	1,800	11,721	17,013
Total expenses	(381,362)	(152,558)	(561,870)	(685,634)
Other Income:				
Settlement of debt	-	6,458	-	6,458
Total Other Income	-	6,458	-	6,458
Total loss and comprehensive loss for the period	\$ (381,362)	\$ (146,100)	\$ (561,870)	\$ (679,176)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average shares outstanding – basic and diluted	51,521,091	37,589,839	42,842,303	34,465,433

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

PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
Unaudited – Prepared by Management
(Stated in Canadian Dollars)



	Nine Months Ended	
	September 30,	
	2020	2019
Operating Activities:		
Loss for the period	\$ (561,870)	\$ (679,176)
Item not involving cash:		
Amortization	1,489	1,463
Settlement of debt	-	6,458
Stock-based compensation	243,800	293,548
Changes in non-cash working capital items:		
Accounts receivable	17,922	(23,497)
Prepaid expenses and advances	(37,043)	206,997
Trade and other payables	(160,375)	189,237
Cash outflows from operating activities	(496,077)	(4,970)
Investing Activity:		
Investment in exploration and evaluation assets	(107,445)	(743,201)
Cash outflows from investing activities	(107,445)	(743,201)
Financing Activities:		
Shares issued for cash	1,321,560	424,104
Share issue costs	(35,028)	(15,378)
Cash inflows from financing activities	1,286,532	408,726
Change in cash	683,010	(339,445)
Cash, beginning	27,829	511,692
Cash, end	\$ 710,839	\$ 172,247
Supplemental cash flow information:		
Interest paid	\$ -	\$ -
Non-cash investing and financing activities:		
Allocated from share capital to equity reserves relating to unit warrants from a private placement	\$ 4,250	\$ -
Exploration and evaluation assets additions in accounts payable	\$ 882	\$ -
Shares issued for debt settlement	\$ -	\$ 24,000
Shares issued for property acquisition	\$ 120,000	\$ 202,500
Shares and warrants issued for finder's fees	\$ 20,200	\$ 66,959
Fair value of options cancelled and expired	\$ -	\$ 36,127

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



PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
 Unaudited – Prepared by Management
 (Stated in Canadian Dollars)

	Number of Shares Outstanding	Share capital	Equity reserves	Advance share subscriptions received	Accumulated deficit	Total equity
Balance – December 31, 2018	30,216,518	\$ 3,645,023	\$ 89,800	\$ 205,040	\$ (2,255,499)	\$ 1,684,364
Common shares issued pursuant to:						
- debt settlement	200,000	24,000	-	-	-	24,000
- private placement	5,242,866	625,044	4,100	(205,040)	-	424,104
- property acquisition	1,965,620	265,359	-	-	-	265,359
Stock-based compensation	-	-	293,548	-	-	293,548
Share issue costs	-	(15,378)	-	-	-	(15,378)
Net loss for the period	-	-	-	-	(679,176)	(679,176)
Balance – September 30, 2019	37,625,004	\$ 4,544,048	\$ 387,448	\$ -	\$ (2,934,675)	\$ 1,996,821
Balance – December 31, 2019	37,625,004	\$ 4,442,522	\$ 479,974	\$ 10,000	\$ (2,973,821)	\$ 1,958,675
Common shares issued pursuant to:						
- private placements	16,432,000	1,327,310	4,250	(10,000)	-	1,321,560
- property acquisition	1,000,000	120,000	-	-	-	120,000
Stock-based compensation	-	-	243,800	-	-	243,800
Share issue costs	-	(55,228)	20,200	-	-	(35,028)
Net loss for the period	-	-	-	-	(561,870)	(561,870)
Balance – September 30, 2020	55,057,004	\$ 5,834,604	\$ 748,224	\$ -	\$ (3,535,691)	\$ 3,047,137

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

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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Note 1 **Nature and Continuance of Operations**

Providence Gold Mines Inc. (the “Company”) was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia. It commenced operations on April 18, 2011. The Company is in the process of exploring and evaluating its mineral property located in California, United States.

The Company’s principal business activity is mineral exploration. It is a public company which trades on the TSX Venture Exchange (“TSX-V”) under the trading symbol “PHD” as a Tier 2 issuer. The address of the Company’s corporate office and principal place of business is 501 – 595 Howe Street, Vancouver, British Columbia, Canada.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2020, the Company has an accumulated deficit of \$3,535,691 and has generated negative cash flows from operations. Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. These factors cast significant doubt on the Company’s ability to continue as a going concern.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company’s environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company’s operations. The extent of the impact of this outbreak and related containment measures on the Company’s operations cannot be reliably estimated at the date of these condensed consolidated interim financial statements.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the condensed consolidated interim statements of financial position. The condensed consolidated 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.

PROVIDENCE GOLD MINES INC.

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Note 2 **Basis of Preparation**

a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. These condensed consolidated interim financial statements were approved by the Board of Directors on November 19, 2020.

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiary, which is any entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity; is exposed to variable returns in connection with its interest in the entity; and a linkage exists between this power and exposure to variable returns. Subsidiaries are included in the condensed consolidated interim financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company has one subsidiary, Providence Gold Mines (US) Inc., which was incorporated in the United States of America to carry out United States operations.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

b) Basis of presentation

The Company and its subsidiary have a functional currency of Canadian dollars, which is also the presentation currency for the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements have been prepared using the historic cost convention, except for financial instruments measured at fair value. These condensed consolidated interim financial statements are also prepared using the accrual basis of accounting, except for cash flow information.

Note 3 **Summary of Significant Accounting Policies**

In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in the audited consolidated annual financial statements for the year ended December 31, 2019.

PROVIDENCE GOLD MINES INC.

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Note 4 Critical Accounting Estimates and Judgments

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical estimates and judgments made in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefits will follow to the Company, which may be based on estimates and assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available.

b) Title to Mineral Property Interests

Although the Company takes 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.

c) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount, if any, included in the tax liabilities.

d) Functional Currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiary. The functional currency was determined based on the currency in which funds are sourced and the degree of dependence on the Company, by the subsidiary, for financial support.

e) Going Concern

Management makes a judgment about the Company's ability to continue as a going concern by taking into account the consideration of the various factors discussed in Note 1.

PROVIDENCE GOLD MINES INC.

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**Note 5 Exploration and Evaluation Assets**

	Tuolumne Property
Acquisition Costs:	
Balance, December 31, 2018	\$ 513,687
Mineral Lease & Joint Venture Agreement	67,280
1,500,000 common shares at \$0.135	202,500
465,620 common shares at \$0.135	62,859
Cash payments	4,629
Balance, December 31, 2019	850,955
1,000,000 common shares at \$0.12	120,000
Balance, September 30, 2020	970,955
Exploration Costs:	
Balance, December 31, 2018	\$ 445,930
Geological costs	118,532
Field cost	542,068
Mapping and Reports	55,365
Permits and taxes	5,466
Sample analysis	10,031
Balance, December 31, 2019	1,177,392
Claims maintenance	4,742
Geological costs	76,341
Field cost	21,119
Balance, September 30, 2020	1,279,594
Exploration and evaluation assets, December 31, 2019	\$ 2,028,347
Exploration and evaluation assets, September 30, 2020	\$ 2,250,549

Tuolumne Property

On March 28, 2017, the Company entered into an agreement (the “Agreement”) with a group of owners, (collectively the “Assignors”) whereby the Company can acquire by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims in Tuolumne County, California, USA (the “Property”) with a history of gold mineralization (the “Transaction”).

The Property includes six parcels and thirteen 20-acre mining claims. The Assignors have also staked a further 9 claims contiguous to the existing claims for a total of 6 patented and 22 located mining claims.

PROVIDENCE GOLD MINES INC.

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Note 5 **Exploration and Evaluation Assets (cont'd)**

Tuolumne Property (cont'd)

As consideration for the assignment, the Company will assume all obligations of the Assignors to the Property owner, enter into a Lease/Purchase Agreement with the Property owner, and has agreed to pay the following to the Assignors:

- a) Following regulatory approval, the Company will make a cash payment of US\$25,000 (paid) and issue 1,500,000 common shares (issued);
- b) After completing the recommended first year work program of at least \$250,000 (completed), the Company will issue an additional 1,500,000 common shares (issued);
- c) After completing the recommended second year work program of at least \$750,000 (completed), the Company will issue an additional 1,500,000 common shares (issued); and
- d) In the event the Company elects to acquire the Property for US\$5,000,000 the Company will issue an additional 1,500,000 common shares.

One of the Assignors above, accounting for 50% of the share issuances, is a company controlled by an individual who subsequently was appointed director and officer of the Company.

The Company has negotiated the general terms and provisions whereby it can earn a 50% joint venture interest in the Property, or alternatively buy a 100% interest in the Property. To earn a 50% interest in the Property, the Company is required to pay the Property owners US\$150,000, incur \$2,000,000 of expenditures on the Property over the course of three years, and issue 4,500,000 shares of the Company as follows:

- a) payment of US\$25,000 following regulatory approval (paid);
- b) payment of US\$25,000 (paid) and incurring \$250,000 (incurred) of expenditures by March 28, 2018;
- c) payment of US\$100,000 (US\$53,500 paid) and incurring an additional \$750,000 of expenditures by March 28, 2019 (incurred); and
- d) incurring an additional \$1,000,000 of expenditures by March 28, 2020 (amended below).

During the period ended September 30, 2020, the Company entered into a second amended agreement whereby the Company will issue 1,000,000 common shares for all past due lease payments (issued at a fair value of \$120,000) and will issue a further 200,000 common shares upon the commencement of the Company's planned 3,900m drill program on the property. The Company will also be committed to incur \$500,000 each year for 5 years beginning in 2021. If the Company does not incur the committed expenditures in any such one-year period, the Company can pay \$25,000 USD in lieu of the committed expenditures.

Having earned a 50% interest, a joint venture would be formed with the Property owner. Alternatively, a 100% interest in the Property can be acquired for US\$5,000,000, at any time, of which one-half can be paid in shares of the Company.

The Property owner will retain a 2.5% net smelter returns royalty ("NSR"), of which 1.5% NSR can be acquired for US\$1,000,000 at any time up to 90 days following commencement of commercial production on the Property.

In consideration of their efforts to bring the parties together on the Transaction, the Company issued 230,000 shares as a finder's fee during the year ended December 31, 2017, with a further 465,620 shares issued during the year ended December 31, 2019.

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Note 5 **Exploration and Evaluation Assets (cont'd)**

Tuolumne Property (cont'd)

During the year ended December 31, 2019, the Company received letters of extension regarding its year 2 property commitments as follows: (i) exploration expenditures of \$750,000 (incurred) required to be incurred on or before March 28, 2019 are now required to have been incurred by October 31, 2019; (ii) share issuances of 1,500,000 common shares (issued) after completing the recommended second year work program of at least \$750,000 are required on or before October 31, 2019; (iii) the required payment of US\$100,000 to the Property owners has been amended such that US\$50,000 (paid) was paid upon the execution of the extension agreement and the remaining US\$50,000 is due on or before October 15, 2019; and (iv) the issuance of 465,620 finder's fee shares (issued) to be issued after the Company meets its commitments in year 2 were issued on or before May 31, 2019.

During the year ended December 31, 2019, The Company entered into an agreement permitting the re-processing of stockpiles on its Providence Mines. The Company will pay a net profit interest (NPI) of 10% to the Ellers Family Trust for such processing or reprocessing of stockpiles.

During the year ended December 31, 2019, the Company recorded a gain on settlement of debt of \$6,458 (2018 - \$25,000), related to debt associated with property exploration costs.

Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental matters related to any of its current or former properties that may result in a material liability to the Company.

Note 6 **Share Capital and Equity Reserve**

a) **Common Shares**

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time.

No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

Shares issued during the period ended September 30, 2020 were as follows:

Issuances for Cash

On March 6, 2020, the Company closed a non-brokered private placement of 850,000 units at \$0.10 per unit for gross proceeds of \$85,000. Each unit consists of one common share and one non-transferable share purchase warrant which entitles the holder to purchase one additional common share for a period of twelve months at a price of \$0.15. Cash share issuance costs were paid on filing of \$1,175. A fair value of \$4,250 was allocated from share capital to equity reserves relating to the unit warrants of the private placement.

PROVIDENCE GOLD MINES INC.

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**Note 6 Share Capital and Equity Reserve (cont'd)**a) Common Shares (cont'd)

On May 19, 2020, the Company closed \$100,000 in the first tranche of a private placement from the sale of 1,250,000 units at \$0.08 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of one year to purchase an additional common share of the Company at the price of \$0.15 per common share.

On July 22, 2020, the Company closed \$1,146,560 in the second tranche of a private placement offering from the sale of 14,332,000 units at \$0.08 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of one year to purchase an additional common share of the Company at the price of \$0.15 per common share. Finder's fees paid in connection with the financing were comprised of cash of \$27,600 and 477,750 finder's warrants entitling the holder to purchase one common share of the Company for period of one year at a price of \$0.15 per common share. Share issue costs include \$20,200 calculated as the fair value of the finder's warrants and additional cash share issuance costs on filing of \$6,253.

The weighted average fair value of finder's warrants above was determined to be \$0.04 per warrant using the Black-Scholes model with the following weighted average assumptions:

Stock price	\$0.105
Exercise price	\$0.15
Dividend rate	0%
Expected life	1 Year
Expected annual volatility	132.56%
Risk-free rate	0.27%

Issued for Property Acquisition

During the period ended September 30, 2020, the Company issued 1,000,000 common shares at a fair value of \$120,000 pursuant to the Tuolumne Property acquisition.

Shares issued during the year ended December 31, 2019 were as follows:

Issuances for Cash

On January 3, 2019, the Company closed the second tranche of a non-brokered private placement for proceeds of \$223,040 through the issuance of 1,858,666 Units at a price of \$0.12 per Unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company for period of three years, at a price of \$0.15 in year one, \$0.20 in year two and \$0.25 in year three. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants.

PROVIDENCE GOLD MINES INC.

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Note 6 **Share Capital and Equity Reserve (cont'd)**

a) Common Shares (cont'd)

On May 29, 2019, the Company closed a non-brokered private placement for proceeds of \$406,104 through the issuance of 3,384,200 Units at a price of \$0.12 per Unit. Each Unit is comprised of one common share of the Company for period of three years, at a price of \$0.15 in year one, \$0.20 in year two and \$0.25 in year three. Finder's fees paid in connection with the financing were comprised of cash of \$8,006 and 66,720 finder's warrants entitling the holder to purchase one common share of the Company for period of two years at a price of \$0.15 per common share. Share issue costs include \$4,100 calculated as the fair value of the finder's warrants and additional cash share issuance costs on filing of \$7,372. A fair value of \$101,526 was allocated from share capital to equity reserves relating to the unit warrants of the private placement.

The weighted average fair value of finder's warrants above was determined to be \$0.06 per warrant using the Black-Scholes model with the following weighted average assumptions:

Dividend rate	0%
Expected life	2 Years
Expected annual volatility	176.12%
Risk-free rate	1.53%

Issued for Property Acquisition

During the year ended December 31, 2019, the Company issued 1,500,000 common shares at a fair value of \$202,500 pursuant to the Tuolumne Property acquisition. 750,000 of these shares were issued to a company controlled by an individual who is a director and officer of the Company.

During the year ended December 31, 2019, an aggregate of 465,620 common shares were issued as a finder's fee to a finder for their efforts to complete the Tuolumne Property acquisition transaction (Note 3). Exploration and evaluation assets include \$62,859 of cost for the fair value of the shares based on the market value on the date of issue.

Issued for Debt Settlement

During the year ended December 31, 2019, the Company settled \$24,000 in debt with a third party through the issuance of 200,000 common shares of the Company at \$0.12 per share.

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**Note 6 Share Capital and Equity Reserve (cont'd)**b) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants is presented below:

	For the Period Ended September 30, 2020		For the Year Ended December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	11,586,077	\$ 0.20	6,276,491	\$ 0.20
Issued	16,909,750	0.15	5,309,586	0.20
Expired	-	-	-	-
Ending balance	28,495,827	\$ 0.17	11,586,077	\$ 0.20

At September 30, 2020, the following share purchase warrants were outstanding:

	Expiry Date	Number of Warrants	Weighted Average Exercise Price (\$)
Finder's warrants	December 11, 2020	42,664	0.15
Warrants	March 6, 2021	850,000	0.15
Warrants	May 19, 2021	1,250,000	0.15
Finder's warrants	May 29, 2021	66,720	0.15
Warrants	July 22, 2021	14,332,000	0.15
Finder's warrants	July 22, 2021	477,750	0.15
Warrants	December 11, 2021	6,056,627	0.20
Finder's warrants	December 11, 2021	177,200	0.20
Warrants	January 3, 2022	1,858,666	0.20
Warrants	May 29, 2022	3,384,200	0.20
Total		28,495,827	

c) Stock Options

The Company, in accordance with the policies of the TSX-V, is authorized to grant stock options to directors, officers, employees and service providers to acquire up to 10% of common shares outstanding (the "Plan").

Under the Plan, options may be granted at, not less than the discounted market price of the Company's common shares as defined by the TSX-V on the day preceding the grant for a maximum term of 5 years. No amounts are paid or payable by the recipient upon the grant of options and the options are not dependent on any performance-based criteria. Vesting of stock options is at the discretion of the Board but generally options will vest when granted except where granted for investor relations activities which vest, and may be exercised, in accordance with the Plan's vesting provisions as to ¼ of the options each 3 months.

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**Note 6 Share Capital and Equity Reserve (cont'd)**c) Stock Options (cont'd)

Stock option transactions are summarized below:

	For the Period Ended September 30, 2020		For the Year Ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	3,350,000	\$ 0.15	950,000	\$ 0.16
Granted	2,625,000	0.13	2,900,000	0.15
Expired/cancelled	(800,000)	0.15	(500,000)	0.15
Ending balance	5,175,000	\$ 0.14	3,350,000	\$ 0.15

Weighted Average Exercise Price (\$)	Expiry Date	Number Outstanding	Number Exercisable
0.16	August 1, 2022	600,000	600,000
0.12	July 13, 2023	1,400,000	1,400,000
0.14	August 6, 2023	1,225,000	1,225,000
0.15	February 7, 2024	1,150,000	1,150,000
0.15	May 2, 2024	300,000	300,000
0.15	July 18, 2024	500,000	500,000
		5,175,000	5,175,000

During the period ended September 30, 2020, the Company granted 1,400,000 stock options to directors, officers and consultants of the Company exercisable at \$0.12 for a period of three years and granted 1,225,000 stock options to directors, officers and consultants of the Company exercisable at \$0.14 for a period of three years. During the period ended September 30, 2020, the Company recorded stock-based compensation totaling \$243,800 (2019 - \$293,548) in relation to the stock options, which was expensed as stock-based compensation in operations.

The weighted average measurement date fair value of stock options granted during the period ended September 30, 2020 has been estimated at \$0.09 (2019 - \$0.12) per option using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2020	2019
Dividend rate	0%	0%
Expected life	3 Years	5 Years
Expected annual volatility	133.85%	168.47%
Risk-free rate	0.28%	1.68%

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**Note 7 Related Party Transactions**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

These transactions were agreed upon by the Board of Directors and were measured at the consideration established and agreed to by the related parties.

During the period ended September 30, 2020, the Company incurred

- accounting fees of \$43,750 (2019 - \$nil) and corporate services of \$10,023 (2019 - \$nil) to an accounting firm of which an officer of the Company is a partner.
- accounting fees of \$nil (2019 - \$12,000) and legal and corporate services of \$nil (2019 - \$6,000) to a former officer of the Company.
- legal and corporate services of \$nil (2019 - \$24,000) to a former director of the Company.
- consulting fees of \$65,000 (2019 - \$10,000) to a director of the Company.
- management fees of \$36,000 (2019 - \$18,000) to a director of the Company.
- geological costs of \$76,340 (2019 - \$114,667) capitalized as exploration costs. The amounts were paid to directors and officers of the Company.
- share-based payments of \$99,246 (2019 - \$263,411) for its key management personnel.

During the period ended September 30, 2020, trade and other payables included \$5,357 (December 31, 2019 - \$80,393) owing to officers and directors and to a company controlled by a director and officer of the Company for management activities and operational expenses.

Note 8 Segmented Reporting

The Company is organized into business units based on exploration and evaluation assets and has two reportable operating segments, being that of acquisition and exploration and evaluation in Canada and in the United States. A summary of the segmented assets as at September 30, 2020 and December 31, 2019, and the Company's loss and comprehensive loss for the period ended September 30, 2020 and year ended December 31, 2019 is as follows:

			September 30, 2020
	United States	Canada	Total
Gain (loss) for the period	\$ 2,014	\$ (563,884)	\$ (561,870)
Exploration and evaluation assets	2,250,549	-	2,250,549
Segment assets	2,264,939	806,244	3,071,183

			December 31, 2019
	United States	Canada	Total
Loss for the year	\$ (22,405)	\$ (695,917)	\$ (718,322)
Exploration and evaluation assets	2,028,347	-	2,028,347
Segment assets	2,044,237	104,102	2,148,339

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Note 9 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the period ended September 30, 2020.

Note 10 Financial Instruments

As at September 30, 2020, the Company's financial instruments consist of cash and trade and other payables.

a) Fair Value

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 — Fair value measurements are derived from quoted prices in active markets or identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Fair value measurements are 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 Company's trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities. The Company's cash is measured at its fair value in accordance with level 1 of the fair value hierarchy.

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2020. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

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Note 10 Financial Instruments (cont'd)

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at September 30, 2020 is \$710,839 (December 31, 2019 - \$27,829). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant. The Company's exposure to credit risk has not changed significantly from the prior year.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. Additional cash requirements could be met with the issuance of additional share capital; however, there is no assurance the Company will be able to raise funds in this manner in the future. As at September 30, 2020, the Company was holding cash of \$710,839 (December 31, 2019 - \$27,829) and had trade and other payables of \$24,046 (December 31, 2019 - \$189,664). The Company's trade and other payables are due within twelve months of period end.