



**FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Troubadour Resources Inc.

### *Opinion*

We have audited the accompanying financial statements of Troubadour Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

March 17, 2020

**TROUBADOUR RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

As at	December 31, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 70,268	\$ 632,073
Receivables	17,611	28,309
Prepaid expenses	3,979	97,197
	91,858	757,579
Reclamation deposit (Note 4)	7,500	7,500
Mineral property (Note 4)	1,122,068	794,489
	\$ 1,221,426	\$ 1,559,568
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 69,576	\$ 171,083
<b>Shareholders' equity</b>		
Share capital (Note 6)	2,225,276	1,967,776
Reserves (Note 6)	226,703	226,703
Deficit	(1,300,129)	(805,994)
	1,151,850	1,388,485
	\$ 1,221,426	\$ 1,559,568

**Nature and continuance of operations** (Note 1)

**Subsequent event** (Note 10)

Approved and authorized by the Board on March 17, 2020.

<u>"Gary Schellenberg"</u> Gary Schellenberg	Director	<u>"Geoff Schellenberg"</u> Geoff Schellenberg	Director
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The accompanying notes are an integral part of these financial statements.

**TROUBADOUR RESOURCES INC.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

For the years ended December 31,	<b>2019</b>	<b>2018</b>
<b>Expenses</b>		
Consulting fees (Note 5)	\$ 142,104	\$ 31,025
Filing and transfer agent fees	28,654	55,563
Investor relations	209,035	64,075
Interest and bank charges	349	369
Office and administration	22,582	8,602
Professional Fees (Note 5)	77,070	53,166
Rent (Note 5)	12,000	3,500
Share-based payments (Note 5, 6)	-	199,399
Travel and promotion	5,468	766
<b>Loss from operating expenses</b>	<b>(497,262)</b>	<b>(416,465)</b>
Interest income	3,127	5,171
<b>Loss and comprehensive loss for the year</b>	<b>\$ (494,135)</b>	<b>\$ (411,294)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>22,309,410</b>	<b>17,178,136</b>

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

**TROUBADOUR RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

For the years ended December 31,	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (494,135)	\$ (411,294)
Non-cash items:		
Share-based payments	-	199,399
Non-cash working capital item changes:		
Receivables	10,698	(23,382)
Prepaid expenses	93,218	(93,699)
Accounts payable and accrued liabilities	30,280	(2,897)
Net cash used in operating activities	<u>(359,939)</u>	<u>(331,873)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral property expenditures	<u>(459,366)</u>	<u>(451,447)</u>
Net cash used in investing activities	<u>(459,366)</u>	<u>(451,447)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	257,500	627,971
Proceeds from warrant exercises	-	67,211
Share issuance costs	-	(16,067)
Net cash provided by financing activities	<u>257,500</u>	<u>679,115</u>
<b>Change in cash for the year</b>	<b>(561,805)</b>	<b>(104,205)</b>
<b>Cash, beginning of year</b>	<u>632,073</u>	<u>736,278</u>
<b>Cash, end of year</b>	<u>\$ 70,268</u>	<u>\$ 632,073</u>

No cash was paid for interest or taxes for the years ended December 31, 2019 and 2018.

During the year ended December 31, 2019, the Company accrued \$21,980 in mineral property costs through accounts payable and accrued liabilities (December 31, 2018 - \$153,767) and recognized \$nil in non-cash share issuance costs related to the fair value of finder's warrants granted (December 31, 2018 - \$11,022). During the year ended December 31, 2018, the Company issued 500,000 common shares valued at \$50,000 as option payments on its mineral property.

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

**TROUBADOUR RESOURCES INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Reserves	Subscriptions receivable	Subscriptions received in advance	Deficit	Total
	Number	Amount					
<b>Balance, December 31, 2017</b>	14,790,620	\$ 1,226,467	\$ 19,430	\$ (10,000)	\$ 30,068	\$ (394,700)	\$ 871,265
Shares issued for cash	5,630,390	648,039	-	-	(30,068)	-	617,971
Share issuance costs – cash	-	(16,067)	-	-	-	-	(16,067)
Share issuance costs – warrants	-	(11,022)	11,022	-	-	-	-
Warrants exercised	541,825	70,359	(3,148)	-	-	-	67,211
Shares issued for mineral properties	500,000	50,000	-	-	-	-	50,000
Share-based payments	-	-	199,399	-	-	-	199,399
Subscriptions received	-	-	-	10,000	-	-	10,000
Loss for the year	-	-	-	-	-	(411,294)	(411,294)
<b>Balance, December 31, 2018</b>	21,462,835	1,967,776	226,703	-	-	(805,994)	1,388,485
Shares issued for cash	5,150,000	257,500	-	-	-	-	257,500
Loss for the year	-	-	-	-	-	(494,135)	(494,135)
<b>Balance, December 31, 2019</b>	26,612,835	\$ 2,225,276	\$ 226,703	\$ -	\$ -	\$ (1,300,129)	\$ 1,151,850

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Troubadour Resources Inc. (the “Company”) was incorporated in Canada under the British Columbia Corporations Act on March 22, 2012. The Company is principally engaged in the acquisition and exploration of resource properties. The Company’s shares are publicly traded on the TSX Venture Exchange (the “TSXV”) under the symbol TR. The head office, records office, and principal address of the Company is 488-625 Howe Street, Vancouver, British Columbia, V6C 2T6.

The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. During the year ended December 31, 2016, the Company entered into an agreement to acquire an interest in a property in Osoyoos, British Columbia (Note 4).

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The 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. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **Use of Estimates and Critical Judgments**

The recognition of exploration and evaluation assets requires judgments regarding future recoverability and carrying cost. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

The determination of income tax is inherently complex and requires making certain judgments about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

**2. BASIS OF PREPARATION (cont'd...)**

**Use of Estimates and Critical Judgments (cont'd...)**

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 stock price volatility. Because the Company's stock options 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.

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Financial instruments**

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

*Fair value through profit or loss ("FVTPL")* - financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in profit and loss.

*Amortized cost* - financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

The Company's cash is recorded at FVTPL. The Company's receivables and reclamation deposit are recorded at amortized cost.

*Impairment of financial assets*

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit and loss.

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

**Financial instruments (cont'd...)**

*Amortized cost:* This category includes accounts payables and accrued liabilities, which are recognized at amortized cost.

**Valuation of equity units issued in private placements**

When determining the fair value of equity units issued in private placements, the fair value of the common shares issued in private placements is determined to be the more easily measurable component and is valued at fair value, as determined by the closing quoted bid price on the closing date. The balance, if any, is allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

**Exploration and evaluation - mineral property**

Pre-exploration costs are expensed as incurred. Costs related to the acquisition of mineral properties and the exploration of mineral properties are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

**Impairment (cont'd...)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Decommissioning provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties, oil and gas interests, and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

**Share-based payments**

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

**Income taxes (cont'd...)**

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

**Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. A premium liability is recognized for the share price premium, if any, paid by investors when acquiring the flow-through shares. The premium liability is reduced and other income is recognized at the time the eligible expenditures are incurred presuming management intends to retrospectively renounce the tax deductions.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a period of up to two-years.

**New standards, interpretations and amendments adopted**

*IFRS 16 – Leases*

The Company adopted IFRS 16 - Leases (“IFRS 16”) on January 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. As at the date of transition, management has assessed that it does not have any leases to which IFRS 16 applies. The adoption of the new IFRS pronouncement has therefore not resulted to adjustments in previously reported figures and there has been no change to the opening deficit balance as at January 1, 2019.

**TROUBADOUR RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(Expressed in Canadian Dollars)

**4. MINERAL PROPERTY**

As at December 31, 2019, the Company held \$7,500 (December 31, 2018 - \$7,500) in deposits with a financial institution as security for reclamation requirements.

**Amarillo Property**

On October 27, 2016, the Company entered into a purchase and sale and royalty agreement with a third party to acquire a 100% interest in certain claims located in the Osoyoos Mining District, British Columbia, comprising the Amarillo property, for consideration of \$10,000 (paid) and the issuance of 500,000 common shares (issued at a fair value of \$50,000) of the Company within 10 days of a Canadian listing. The third party retains a 1.5% Net Smelter Returns royalty, of which the Company may purchase 1.0% for a payment of \$1,000,000. During the year ended December 31, 2016, the Company also paid \$4,756 to stake mineral claims contiguous to the Amarillo property in order to increase its holdings. During the year ended December 31, 2018, the Company paid \$1,446 to stake an additional 896.95 hectares of land to increase the total size of the property to 4,178.21. During the year ended December 31, 2019, the Company staked an additional 519 hectares of ground and subsequent to December 31, 2019, a further 751 hectares, to bring the total size of the property 5,449 hectares.

The Company has incurred the following in relation to mineral properties:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<i>Acquisition Costs</i>		
Opening Balance	\$ 66,202	\$ 14,756
Additions (Note 5)	-	51,446
Closing Balance	<u>66,202</u>	<u>66,202</u>
<i>Exploration Costs</i>		
Opening Balance	728,287	176,270
Administrative Expenditures	2,860	1,896
Assays	27,961	1,799
Drilling	262,349	256,400
Field Expenditures	8,262	45,729
Field Personnel	9,338	95,013
Geological Consulting	15,638	25,313
Geophysics	-	123,104
Mobilization	171	2,508
Staking	1,000	255
Closing Balance	<u>1,055,866</u>	<u>728,287</u>
Total	<u>\$ 1,122,068</u>	<u>\$ 794,489</u>

**5. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2019, the Company paid or accrued \$127,672 (2018 - \$166,453) included in mineral property expenditures, \$12,000 (2018 - \$3,500) included in rent expense, and \$18,386 (2018 - \$nil) relating to mineral property investigation included in consulting fees recognized in loss and comprehensive loss to a company related to two officers of the Company.

Included in accounts payable and accrued liabilities at December 31, 2019 was \$66,142 (December 31, 2018 - \$85,070) payable to companies controlled by officers of the Company.

**TROUBADOUR RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Expressed in Canadian Dollars)

**5. RELATED PARTY TRANSACTIONS (cont'd...)**

During the year ended December 31, 2019, the Company paid or accrued, to key management personnel and their related companies:

	Professional fees	Consulting fees	Total
Chief Executive Officer	\$ -	\$ 30,000	\$ 30,000
President	-	90,000	90,000
Chief Financial Officer	30,000	-	30,000
Non-executive Directors	-	2,750	2,750
<b>Total</b>	<b>\$ 30,000</b>	<b>\$ 122,750</b>	<b>\$ 152,750</b>

During the year ended December 31, 2018, the Company paid or accrued, to key management personnel and their related companies:

	Professional fees	Consulting fees	Share-based payments	Total
Chief Executive Officer	\$ -	\$ 15,000	\$ 22,530	\$ 37,530
President	-	15,000	39,427	54,427
Chief Financial Officer	15,000	-	14,081	29,081
Non-executive Directors	-	-	28,162	28,162
<b>Total</b>	<b>\$ 15,000</b>	<b>\$ 30,000</b>	<b>\$ 104,200</b>	<b>\$ 149,200</b>

**6. SHAREHOLDERS' EQUITY**

**Authorized**

An unlimited number of common shares without par value.

**Issued share capital**

During the year ended December 31, 2019, the Company closed a private placement by issuing 5,150,000 common share units (each, a "Unit") at \$0.05 per Unit for gross proceeds of \$257,500. Each Unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of \$0.10 for a period of two years.

During the year ended December 31, 2018, the Company:

- a) completed a non-brokered private placement, issuing 1,050,000 units at a price of \$0.10 per unit for gross proceeds of \$105,000. Each unit is comprised of one common share in the capital of the Company and one non-transferable share purchase warrant for a period of two years exercisable at \$0.15. In connection with this issuance, the Company paid a finder a fee of \$7,350 and issued a total of 73,500 share purchase warrants on the same terms as the warrants issued;
- b) completed a non-brokered private placement, issuing 330,390 units at a price of \$0.10 per unit for gross proceeds of \$33,039. Each unit is comprised of one common share in the capital of the Company and one non-transferable share purchase warrant for a period of two years exercisable at \$0.15. As at December 31, 2017, \$30,068 related to the share issuance had been collected;
- c) issued 500,000 common shares at \$0.10 per share, for a total value of \$50,000 as consideration for the Amarillo property (Note 4); and

**TROUBADOUR RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Expressed in Canadian Dollars)

**6. SHAREHOLDERS' EQUITY (cont'd...)**

**Issued share capital (cont'd...)**

- d) completed a non-brokered private placement by issuing 4,250,000 units at \$0.12 per unit for gross proceeds of \$510,000. Each unit is comprised of one common share of the Company and one common share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.18 for a period of two years. In connection with the private placement, the Company paid finder's fees of \$8,717 and issued 70,560 finder's warrants on the same terms as the private placement warrants.

**Warrants**

The Company did not grant any finder's warrants during the year ended December 31, 2019 (December 31, 2018 – 144,060). The 144,060 finder's warrants issued during the year ended December 31, 2018 had an aggregate grant date fair value of \$11,022. The fair value was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Risk-free interest rate	-	2.04%
Expected volatility	-	100.00%
Expected dividends	-	Nil
Expected life	-	2.0 years

The following is a summary of warrants outstanding as at December 31, 2019 and December 31, 2018 and changes during the years then ended:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2017	9,554,620	\$ 0.15
Issued during the year	5,774,450	0.17
Expired during the year	(856,250)	0.12
Exercised during the year	(541,825)	0.12
Balance, December 31, 2018	13,930,995	0.16
Issued during the year	5,150,000	0.10
Expired during the year	(8,189,620)	0.15
Balance, December 31, 2019	10,891,375	\$ 0.14

**TROUBADOUR RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Expressed in Canadian Dollars)

**6. SHAREHOLDERS' EQUITY (cont'd...)**

**Warrants (cont'd...)**

At December 31, 2019 the following warrants were outstanding:

	Number outstanding and exercisable	Exercise Price	Expiry Date
Warrants	1,050,000	\$ 0.15	January 23, 2020 <sup>(1)</sup>
Finder's Warrants	40,425	\$ 0.15	January 23, 2020 <sup>(1)</sup>
Warrants	330,390	\$ 0.15	February 6, 2020 <sup>(1)</sup>
Warrants	4,250,000	\$ 0.18	October 22, 2020
Finder's Warrants	70,560	\$ 0.18	October 22, 2020
Warrants	5,150,000	\$ 0.10	November 1, 2021
	10,891,375		

(1) Subsequent to the year ended December 31, 2019, all of these warrants expired unexercised.

**Stock Options**

On September 25, 2017, the Company adopted a stock option plan. The stock option plan provides that, subject to the requirement of the TSXV, the aggregate number of securities reserved for issuance will be 10% of the number of common shares of the Company issued and outstanding from time to time. In addition, the number of common shares which may be reserved for issuance on a yearly basis to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued shares calculated at the time of grant. All options granted under the stock option plan will expire no later than the date that is ten years from the date that such options are granted.

The Company did not grant any options during the year ended December 31, 2019 (2018 – 1,750,000). The weighted average fair value of options granted during the year ended December 31, 2018 was \$0.11. Total share-based payments recognized in the statement of loss and comprehensive loss for the year ended December 31, 2019 was \$nil (2018 - \$199,399) 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:

	December 31, 2019	December 31, 2018
Risk-free interest rate	-	2.25%
Expected life of option	-	5 years
Expected annualized volatility	-	100%
Expected dividend rate	-	Nil

**TROUBADOUR RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Expressed in Canadian Dollars)

**6. SHAREHOLDERS' EQUITY (cont'd...)**

**Stock Options (cont'd...)**

The following is a summary of stock options outstanding as at December 31, 2019 and December 31, 2018 and changes during the years then ended:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2017	-	-
Issued during the year	1,750,000	\$ 0.15
Balance, December 31, 2018	1,750,000	0.15
Cancelled during the year	(300,000)	0.16
Balance, December 31, 2019	1,450,000	\$ 0.15

At December 31, 2019 the following stock options were outstanding:

Number outstanding	Number outstanding and exercisable	Exercise Price	Expiry Date
1,450,000	1,450,000	\$ 0.15	September 11, 2023
1,450,000	1,450,000		

**Escrow Agreement**

During the year ended December 31, 2017, the Company entered into an escrow agreement whereby 2,125,000 common shares are subject to an escrow agreement and may not be transferred without the consent of the TSXV. The escrow agreement provides, among other things, that 10% of such common shares will be released from escrow on the date the common shares commence trading on the Exchange and 15% of such common shares will be released every six months thereafter. As at December 31, 2019, 956,250 common shares remain in escrow.

**7. SEGMENT INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in one geographical location, being Canada.

**8. FINANCIAL AND CAPITAL RISK MANAGEMENT**

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

The carrying value of receivables, reclamation bond, and accounts payable and accrued liabilities approximates fair value due to the short-term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is carried at fair value through profit or loss. Receivables, reclamation bond, and accounts payable and accrued liabilities are carried at amortized cost.

**Risk management**

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss of a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and reclamation bond are held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist of Goods and Services Tax receivable from the government of Canada and the Company considers credit risk associated with these amounts to be low.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. As at December 31, 2019, the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

**TROUBADOUR RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(Expressed in Canadian Dollars)

**8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

**Risk management (cont'd...)**

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**9. INCOME TAXES**

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Loss before income taxes	\$ (494,135)	\$ (411,294)
Expected income tax (recovery)	\$ (133,000)	\$ (111,000)
Permanent differences	-	54,000
Share issuance cost	-	(4,000)
Change in income tax rates	-	(5,000)
Change in unrecognized deductible temporary differences	133,000	66,000
Income tax recovery	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2019	Expiry Date Range	2018
Exploration and evaluation assets	\$ (310,000)	N/A	\$ (310,000)
Share issue costs	28,000	2038-2041	40,000
Non-capital losses	1,061,000	2032-2039	555,000
	\$ 779,000		\$ 285,000

**10. SUBSEQUENT EVENT**

Subsequent to the year ended December 31, 2019, the Company granted 1,100,000 stock options to various officers, directors, and consultants exercisable at a price of \$0.05 for a period of five years.