



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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

## **NOTICE TO READER**

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 interim financial statements have not been reviewed by an auditor.

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

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars - Unaudited)

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
		(Restated – Note 3)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 26,684,618	\$ 3,925,900
Restricted cash (Note 10)	-	2,720,000
Receivables	432,856	19,355
Prepaid expenses	314,631	9,193
	<u>27,432,105</u>	<u>6,674,448</u>
<b>Equipment</b> (Note 6)	459,035	46,873
<b>Reclamation bonds</b>	33,964	-
<b>Assets held for distribution</b> (Note 7)	633,908	-
<b>Exploration and evaluation assets</b> (Note 5 and 7)	793,502	685,851
	<u>\$ 29,352,514</u>	<u>\$ 7,407,172</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 13)	\$ 707,331	\$ 43,020
Loans from related parties (Note 8)	27,255	29,175
Subscription Receipts (Note 10)	-	2,720,000
Deferred acquisition payments – current portion (Note 5)	59,626	67,463
Lease liability – current portion (Note 9)	13,465	-
	<u>807,677</u>	<u>2,859,658</u>
<b>Deferred acquisition payments</b> (Note 5)	52,698	87,407
<b>Lease liability</b> (Note 9)	38,906	-
	<u>899,281</u>	<u>2,947,065</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	34,563,807	2,582,221
Special Warrants (Note 10)	-	3,160,540
Contributed surplus	1,837,655	302,109
Accumulated other comprehensive loss	47,803	(2,763)
Deficit	(7,996,032)	(1,582,000)
	<u>28,453,233</u>	<u>4,460,107</u>
	<u>\$ 29,352,514</u>	<u>\$ 7,407,172</u>

Nature of operations (Note 1)  
Subsequent events (Note 15)

**Approved and authorized on behalf of the Board of Directors on November 24, 2020**

\_\_\_\_\_  
“James Hutton” Director

\_\_\_\_\_  
“Robert McMoran” Director

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

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars - Unaudited)

For the	Three months ended September 30, 2020	Nine months ended September 30, 2020	Period from incorporation on July 22 to September 30, 2019
			(Restated – Note 3)
<b>EXPENSES</b>			
Accretion (Note 5)	\$ 6,517	\$ 20,969	\$ 3,836
Consulting fees	-	191,736	6,381
Depreciation (Note 6)	32,223	58,115	-
Directors fees (Note 13)	15,000	45,000	-
Exploration expenditures (Note 13)	1,514,246	2,396,451	18,298
Foreign exchange loss	19,762	26,264	(875)
Investor relations	272,041	365,660	-
Management fees (Note 13)	120,000	310,000	30,750
Office expenses	14,643	44,781	2,552
Professional fees (Note 13)	186,008	491,948	16,160
Project investigation	28,715	28,715	-
Share-based payments	-	1,041,023	-
Shareholder communications and marketing	591,494	942,192	1,365
Transfer agent, filing and listing fees	12,424	99,113	-
Travel	-	75,761	-
<b>Loss from operations</b>	(2,813,073)	(6,137,728)	(78,467)
Held for distribution – transaction costs	(325,000)	(325,000)	-
Interest income	28,863	48,696	-
<b>Loss for the period</b>	(3,109,210)	(6,414,032)	(78,467)
<b>Items that may subsequently be reclassified to loss:</b>			
Exchange difference on translation of foreign operations	(4,995)	50,566	(16,101)
<b>Comprehensive Loss for the period</b>	\$ (3,114,205)	\$ (6,363,466)	\$ (94,568)
<b>Basic and diluted loss per common share</b>	\$ (0.05)	\$ (0.13)	\$ (0.00)
<b>Basic and diluted weighted average number of common shares outstanding</b>	62,277,674	48,680,116	22,567,001

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars, except for share figures – Unaudited)

	Number	Amount	Special Warrants	Contributed Surplus	Accumulated Other Comprehensive loss	Deficit	Total
<b>Balance, Inception on July 22, 2019</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued for cash and share based compensation	26,980,001	2,134,510	-	-	-	-	2,134,510
Share issuance costs	-	(2,289)	-	-	-	-	(2,289)
Acquisition of exploration and evaluation assets	3,000,000	450,000	-	-	-	-	450,000
Subscriptions received	-	-	513,000	-	-	-	513,000
Loss for the period	-	-	-	-	(16,101)	(78,467)	(94,568)
<b>Balance, September 30, 2019</b>	29,980,001	\$ 2,582,221	\$ 513,000	\$ -	\$ (16,101)	\$ (78,467)	\$ 3,000,653
<b>Balance, December 31, 2019</b>	29,980,001	\$ 2,582,221	\$ 3,160,540	\$ 302,109	\$ (2,763)	\$ (1,582,000)	\$ 4,460,107
Issuance and conversion of special warrants	8,202,750	3,175,540	(3,160,540)	-	-	-	15,000
Issuance and conversion of subscription receipts	6,800,000	2,720,000	-	-	-	-	2,720,000
Private placement	15,598,860	22,849,996	-	-	-	-	22,849,996
Share issuance costs	-	(3,090,449)	-	1,083,170	-	-	(2,007,279)
Exercise of stock options	1,970,000	1,376,647	-	(588,647)	-	-	788,000
Exercise of share purchase warrants	2,308,426	4,616,852	-	-	-	-	4,616,852
Acquisition of exploration and evaluation assets	225,000	333,000	-	-	-	-	333,000
Share-based payments	-	-	-	1,041,023	-	-	1,041,023
Loss for the period	-	-	-	-	50,566	(6,414,032)	(6,363,466)
<b>Balance, September 30, 2020</b>	65,085,037	\$ 34,563,807	\$ -	\$ 1,837,655	\$ 47,803	\$ (7,996,032)	\$ 28,453,233

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

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
(Expressed in Canadian Dollars - Unaudited)

	Nine months ended September 30, 2020 \$	Period from incorporation on July 22 to September 30, 2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	(6,414,032)	(78,467)
Items not involving cash:		
Accretion	20,969	3,836
Accrued finance expense	3,277	-
Depreciation	58,115	-
Share-based payments	1,041,023	-
Held for distribution – transaction costs	325,000	-
Changes in non-cash working capital items:		
Receivables	(398,501)	(1,867)
Prepaid expenses	(305,438)	(17,092)
Accounts payable and accrued liabilities	664,311	121,355
Net cash used in operating activities	(5,005,276)	27,765
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Exploration and evaluation acquisitions	(520,197)	(68,241)
Bonds	(33,964)	-
Equipment acquisition costs	(393,452)	-
Held for distribution – transaction costs incurred	(235,445)	-
Net cash used in investing activities	(1,183,058)	(68,421)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Private placement	22,849,996	1,234,510
Exercise of stock options	788,000	-
Warrants	4,616,852	513,000
Share issuance costs	(2,007,279)	(2,359)
Repayment of loans	-	(230)
Repayment of lease liabilities	(10,987)	-
Net cash provided by financing activities	26,236,582	1,744,921
<b>Change in cash during the period</b>	<b>20,048,248</b>	<b>1,704,265</b>
<b>Foreign exchange</b>	<b>(9,530)</b>	<b>(20,334)</b>
<b>Cash – beginning of the period</b>	<b>6,645,900</b>	<b>-</b>
<b>Cash – end of the period</b>	<b>26,684,618</b>	<b>1,683,931</b>

Supplemental disclosure with respect to cash flows (Note 14)

## **FOSTERVILLE SOUTH EXPLORATION LTD.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars - Unaudited)

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#### **1. NATURE OF OPERATIONS**

Fosterville South Exploration Ltd. (“the Company” or “Fosterville”) was incorporated under the Business Corporations Act of British Columbia on July 22, 2019. The Company is engaged in the acquisition, exploration and development of mineral properties in Australia. The Company’s head office is located at 488 – 1090 West Georgia Street, Vancouver, BC V6E 3V7.

On March 18, 2020, the Company filed its initial prospectus and on March 25, 2020 the Company issued 8,202,750 common shares on the conversion of special warrants and 6,800,000 common shares on the conversion of subscription receipts (Note 10). On April 14, 2020, the Company’s shares commenced trading on the TSX Venture Exchange (the “TSX-V”) under the symbol FSX.

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 ability to raise funds.

#### **2. BASIS OF PREPARATION**

##### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

##### **Basis of presentation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

##### **Consolidation**

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned and controlled subsidiaries, Currawong Resources Pty Ltd. (“Currawong”) from date of acquisition (Note 5), incorporated in Australia on September 10, 2014, Bendigo Gold Corp. (“Bendigo”), incorporated in Canada on November 8, 2019, Leviathan Gold Ltd (“Leviathan”), incorporated June 24, 2020 and .

Fosterville, Bendigo and Leviathan have a functional currency of Canadian Dollar (CAD). Currawong has a functional currency of Australian Dollar (AUD).

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

## **FOSTERVILLE SOUTH EXPLORATION LTD.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars - Unaudited)

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#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Company's accounting policies are the same as those applied in the Company's consolidated financial statements for the period from incorporation on July 22, 2019 to December 31, 2019, except for as disclosed below. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the period from incorporation on July 22, 2019 to December 31, 2019.

##### **Change in accounting policy**

###### *Exploration and Evaluation Assets*

The Company has changed its accounting policy for exploration and evaluation expenditures from the policy previously adopted for its financial statements for the period from incorporation on July 22, 2019 to December 31, 2019. The Company previously capitalized the acquisition costs of exploration and evaluation assets and deferred exploration expenditures directly related to specific exploration and evaluation assets. Under the new policy, exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to the statement of loss and comprehensive loss as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Mineral property acquisition costs will continue to be capitalized and include consideration and transaction costs for mineral property interests. These costs are amortized over the estimated life of the property following commencement of commercial production. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The Company has accounted for this change in accounting policy on a retrospective basis. The opening deficit and the exploration and evaluation asset on the statement of financial position has been restated for the prior period and presented as if the new accounting policy had always been applied. The impact of this change was to decrease exploration and evaluation assets and increase the deficit by the exploration expenditures incurred of \$148,530, or \$0.006 per share, for the period from incorporation on July 22, 2019 to December 31, 2019.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions 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 assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

##### **Critical Judgments**

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

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd...)**

**Critical Judgments (cont'd...)**

*Title to mineral property interests*

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 titles may be affected by undetected defects.

*Impairment of exploration and evaluation assets*

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 resource 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.

*Issuances of shares for properties*

Management makes judgments in determining the share price attributed to issuances of shares for mineral properties. Management considers market conditions, recent or pending private placements of the Company, and or contracted terms of the issuance. Should management's judgment as to an appropriate share price be incorrect, the value attributed to properties could be materially different.

*Asset acquisition*

The assessment of whether an acquisition meets the definition of a business or an asset is an area of key judgment. In the acquisition of Currawong, judgement was required to determine if the acquisition represented a business combination or an asset acquisition. More specifically, management concluded that Currawong did not represent a business as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the Transaction (Note 5) represented the acquisition of an asset, there was no goodwill recognized and the transactions costs were capitalized to the assets purchased rather than expensed.

**Key Sources of Estimation Uncertainty**

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

*Share-based payment*

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

**FOSTERVILLE SOUTH EXPLORATION LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars - Unaudited)

**5. ACQUISITION OF CURRAWONG RESOURCES PTY LTD**

On August 8, 2019, the Company closed the acquisition of Currawong (“the Transaction”) pursuant to the terms of a share purchase agreement (the “Currawong Agreement”). The Company acquired all of the issued and outstanding common shares of Currawong by issuing 3,000,000 common shares of the Company and agreeing to make total payments of AUD\$300,000 as follows:

- AUD\$75,000 on closing (paid CAD\$68,241);
- AUD\$75,000 by August 8, 2020 (paid CAD\$71,702);
- AUD\$75,000 by August 8, 2021; and
- AUD\$75,000 by August 8, 2022.

The transaction did not meet the definition of a business combination and therefore, was accounted for as an asset purchase of mineral property interests. The fair value of the consideration paid for the acquisition of Currawong has been allocated to the assets acquired and liabilities assumed, based on management’s best estimate and taking into account all available information at the time of acquisition.

The following table summarizes the fair value of the total consideration paid and the aggregate fair value of the identified assets acquired and liabilities assumed:

<b>Purchase price</b>	<b>\$</b>
Cash	68,241
3,000,000 common shares of the Company at \$0.15 per share	450,000
Fair value of deferred payments	142,037
<b>Fair value of consideration</b>	<b>660,278</b>
<b>Net assets acquired</b>	<b>\$</b>
Cash	2,881
Exploration and evaluation assets	686,389
Liabilities	(28,992)
	<b>660,278</b>

The fair value of the deferred payments of \$142,037 over a three-year period was determined on the date of the acquisition using a discounted cash flow model. A discount rate of 20% was used. The changes in the value of the deferred payments for the nine months ended September 30, 2020, are as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of period	154,870	-
Asset acquisition	-	142,037
Accretion expense	20,969	10,675
Payments	(71,702)	-
Foreign exchange	8,187	2,158
<b>Balance, end of period</b>	<b>112,324</b>	<b>154,870</b>
Current portion	59,626	67,463
<b>Non-current portion</b>	<b>52,698</b>	<b>87,407</b>

**FOSTERVILLE SOUTH EXPLORATION LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars - Unaudited)

**6. EQUIPMENT**

	Vehicles \$	Equipment \$	Computer \$	Right of Use Asset (lease) \$	Total \$
<b>Cost</b>					
Balance at July 22, 2019	-	-	-	-	-
Additions	-	49,992	1,736	-	51,728
Foreign exchange	-	(574)	(20)	-	(594)
Balance at December 31, 2019	-	49,418	1,716	-	51,134
Additions	84,819	305,512	3,121	55,882	449,336
Foreign exchange	3,602	15,268	213	4,526	23,608
<b>Balance at September 30, 2020</b>	<b>88,421</b>	<b>370,198</b>	<b>5,050</b>	<b>60,408</b>	<b>524,078</b>
<b>Accumulated depreciation</b>					
Balance at July 22, 2019	-	-	-	-	-
Depreciation	-	4,166	145	-	4,311
Foreign exchange	-	(48)	(2)	-	(50)
Balance at December 31, 2019	-	4,118	143	-	4,261
Depreciation	10,045	37,899	517	9,654	58,115
Foreign exchange	427	1,801	29	410	2,667
<b>Balance at September 30, 2020</b>	<b>10,472</b>	<b>43,818</b>	<b>689</b>	<b>10,064</b>	<b>65,043</b>
<b>Carrying amount</b>					
As at December 31, 2019	-	45,300	1,573	-	46,873
As at September 30, 2020	77,949	326,380	4,361	50,344	459,035

**7. EXPLORATION AND EVALUATION ASSETS****Currawong Projects**

During the year ended December 31, 2019 the Company acquired a 100% right, title and interest in and to the Central Victoria Properties in Australia (Note 5). The Central Victoria Properties are exploration stage properties comprised of the Lauriston Gold Project, the Golden Mountain Project, the Providence Project and other exploration license applications filed with the state of Victoria, in the south east area of Australia.

**Moormbool, Avoca and Timor Projects**

During the period ended June 30, 2020 the Company entered into a purchase agreement with Mercator Gold Australia Pty. Ltd. ("Mercator"), a subsidiary of Alternative Investment Market-listed ECR Minerals PLC, whereby it acquired a 100% interest in three high-grade gold projects called the Timor project, the Avoca project and the Moormbool project.

## FOSTERVILLE SOUTH EXPLORATION LTD.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars - Unaudited)

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#### 7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

##### **Moormbool, Avoca and Timor Projects**

Under the terms of the purchase agreement, the Company paid \$448,495 (AUD\$500,000) to Mercator in consideration of a 100% interest in the gold projects. The Company will also pay Mercator AUD\$1 for every ounce of gold or gold equivalent of measured resource, indicated resource or inferred resource within one or more of the tenements comprising the gold projects, which payment shall not exceed a total of AUD\$1,000,000. In the event the Company carries out commercial production on the gold projects, the Company will pay Mercator AUD\$1 for every ounce of gold or gold equivalent ounces produced from the tenements comprising the gold projects, which payment shall not exceed a total of AUD\$1,000,000.

The Company also entered into a separate agreement with FliteGold Pty. Ltd. ("FliteGold"), an entity controlled by Mr. Rex Motton, a director of the Company, that held a royalty over the Avoca project. The Company issued 225,000 shares valued at \$333,000 to FliteGold and, in consideration of which, FliteGold terminated its royalty on the Avoca project.

##### *Spin-out*

During the period ended September 30, 2020 the Company announced its board of directors has approved a spinout transaction, whereby the Company will distribute the shares of a new company, Leviathan, to the shareholders of the Company.

On October 1, 2020 the Company entered into an Arrangement Agreement (the "Arrangement Agreement") with Leviathan and Leviathan Finance Ltd ("FinCo"). Under the terms of the Arrangement Agreement, Fosterville, pursuant to a Plan of Arrangement, will spin-out Leviathan (the "Transaction"). Subsequent to the completion of the spin-out, it is proposed that Leviathan will acquire certain assets from the Company's wholly owned subsidiary, Currawong, at fair value. Following the successful acquisition and amalgamation, Leviathan will apply to list on the TSX-V. Prior to the acquisition of assets from Currawong, the Company will cause a wholly-owned subsidiary of the Company to amalgamate with FinCo (the "Amalgamation"), with the Company issuing shares of the Company to the former securityholders of FinCo in connection with such amalgamation, subject to certain terms and conditions, as described in more detail below.

As per the Arrangement Agreement:

- The Company will spin-out the Leviathan, and the shareholders of Fosterville will receive one share of the Leviathan for each share of Fosterville held.
- Post completion of the spin-out, Leviathan will negotiate and acquire for fair value (the "Asset Purchase Agreement") properties, known as the Avoca and Timor Projects and certain other tenements (the "Properties") and assume the underlying royalties payable on certain tenements and the underlying obligations of the Company and Currawong under the purchase agreement that Currawong first acquired the Properties.
- FinCo will issue, prior to the effective date of the plan of Arrangement, 6,000,000 common shares to the new management and board of FinCo.
- FinCo intends to raise a minimum of \$5,000,000, which will be held in escrow pending the successful completion of the transaction.
- Leviathan will apply for TSX-V listing approval.
- A wholly-owned subsidiary of the Leviathan will amalgamate with FinCo and the Company will issue shares on a 1:1 share exchange basis with the securityholders of FinCo.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
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For the nine months ended September 30, 2020  
(Expressed in Canadian Dollars - Unaudited)

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Moormbool, Avoca and Timor Projects (cont'd...)**

*Spin-out (cont'd...)*

The shares issued under the spin-out will be subject to the following restrictions on resale from the listing date:

- 25% will be restricted for four months;
- 25% will be restricted for eight months;
- 25% will be restricted for 12 months; and
- 25% will be restricted for 16 months.

The completion of the Transaction is subject to the satisfaction of various conditions including but not limited to (i) the completion of a Leviathan Finance financing for a minimum of \$5,000,000 (the “Financing”); and (iii) receipt of all requisite regulatory, TSX-V, court or governmental authorizations and third party approvals or consents, including the approval of the TSX-V.

Subsequent to period end the Company received shareholder approval for the spin-out transaction, consequently, the Company has reclassified the capitalized expenditures relating to the Avoca and Timor projects as Held for Distribution, as the assets are available for distribution and it is considered highly probable the transaction will complete. Held for Distribution assets are measured at the lower of carrying amount and fair value less costs to distribute. The carrying amount was considered equal to the fair value, resulting in the estimated transaction costs of \$325,000 being recognized in the Statement of Loss. During the period the Company incurred transaction costs of \$235,445, which were capitalized to the Held for Distribution asset.

	<b>September 30, 2020</b>
	<b>\$</b>
<b>Balance, beginning of period</b>	-
Reclassified as Held for Distribution	711,108
Less: Estimated transaction costs to distribute	(325,000)
Plus: Transaction costs incurred to date	235,445
Foreign exchange	12,355
<b>Balance, end of period</b>	<b>633,908</b>

**Beechworth Projects**

During the period ended September 30, 2020 the Company entered into a property acquisition agreement with Northern Mine Ventures P/L (“Northern Mine”), whereby it will acquire the 36-square-kilometre Beechworth gold project in Victoria, Australia, held within EL4697 and RLA006013 by Northern Mine.

Pursuant to the terms of a purchase agreement between the Company and Northern Mine, the Company paid AUD \$50,000 to Northern Mine and agreed to pay an additional AUD \$250,000 on the date that the granted Exploration Licence is converted to a Retention Licence. The Company also agreed to incur AUD \$130,000 in exploration expenditures on the project within 90 days. Northern Mine retained a 2.5% NSR, which may be repurchased with a one-time payment of AUD \$2,000,000.

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Other Projects**

In addition to the projects listed above, the Company has also staked new projects, including the Walhalla Project, and additional areas contiguous to current projects. All projects are in Victoria, Australia.

Below is a summary of the changes in the exploration and evaluation assets for the nine months period ended September 30, 2020:

	September 30, 2020	December 31, 2019
	\$	\$
<b>Balance, beginning of period</b>	685,851	-
Asset acquisition (Note 5)	-	686,389
Moormbool, Avoca, Timor acquisition	781,495	-
Reclassified as Held for Distribution	(711,108)	-
Foreign exchange	37,264	(538)
<b>Balance, end of period</b>	<b>793,502</b>	<b>685,851</b>

During the nine months ended September 30, 2020, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	Golden Mountain Project	Lauriston Project	Other Projects	Total
Assay	\$ 48,524	\$ 120,528	\$ 54,596	\$ 223,648
Data compilation	22,949	11,542	16,997	51,488
Drilling	1,055,575	49,715	4,166	1,109,456
Field expenditures	61,516	6,900	35,652	104,068
Geological consulting	168,363	82,091	171,213	421,667
Geophysics	14,160	-	23,245	37,405
Mapping and surveying	6,016	-	4,511	10,527
Project administration	3,804	9,484	97,100	110,388
Rehabilitation	6,572	2,098	-	8,670
Room and board	364	-	17,969	18,333
Salaries and wages	35,900	-	109,001	144,901
Tenement administration & fees	8,541	8,815	107,141	124,497
Travel	14,163	3,985	13,255	31,403
	<b>\$ 1,446,447</b>	<b>\$ 295,158</b>	<b>\$ 654,846</b>	<b>\$2,396,451</b>

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Under Australian mining laws, the Company is required to incur AUD\$15,000 plus AUD \$150 per km<sup>2</sup> in first year, AUD \$200 per km<sup>2</sup> for each of second, third and fourth year and AUD \$300 per km<sup>2</sup> for each year thereafter. The expenditure commitment per km<sup>2</sup> increases over time, but is offset by forced tenement area reductions on the second and fourth anniversary of 25% and 40% respectively.

Pursuant to the Australian mineral rights regulations, the Company is required to incur minimum exploration expenditures on both granted and pending licenses of AUD\$245,600 in 2020, AUD\$1,058,450 in 2021, AUD\$1,208,725 in 2022, AUD\$1,038,585 in 2023, AUD\$1,033,980 in 2024 and AUD\$983,550 in 2025 in order to maintain the exploration licenses.

**8. LOANS FROM RELATED PARTIES**

On August 8, 2019, the Company assumed loans payable of AUD\$31,983 (CAD\$28,992) to a director and a company owned by a director of the Company as a result of the Transaction (Note 5). The loans are non-interest bearing, due on demand, unsecured and have no maturity date. The balance outstanding as at September 30, 2020 was \$27,255.

	September 30, 2020	December 31, 2019
	\$	\$
Balance, beginning of period	29,175	-
Acquisition	-	28,992
Loan repayments	-	(228)
Foreign exchange	(1,920)	411
Balance, end of period	27,255	29,175

**9. LEASE LIABILITY**

	September 30, 2020	September 30, 2019
	\$	\$
Balance, beginning of period	-	-
Lease liability recognized	55,882	-
Lease payments	(10,987)	-
Accrued finance expense	3,277	-
Foreign exchange	4,199	-
Balance, end of period	52,371	-
Current portion	13,465	-
Non-current portion	38,906	-
	52,371	-

During the period ended September 30, 2020 the Company leased a storage warehouse in Bendigo, Australia. The lease liabilities were discounted at a discount rate of 9%.

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**10. SHARE CAPITAL**

**Authorized** – Unlimited common shares without par value.

**Share issuances:**

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

- a) Closed a private placement financing and issued a total of 13,636,363 units at a price of \$1.10 per unit for gross proceeds of \$14,999,996. Each Unit consisted of one common share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase a Common Share at an exercise price of \$2.00 for a period of 24 months ending May 14, 2022.

The Company paid a syndicate of agents a cash commission of \$998,729 and issued a total of 907,937 common share purchase warrants (the "Broker Warrants"), with each Broker Warrant exercisable at \$1.10 per Common Share for a period of 24 months ending May 14, 2022. Broker Warrants were valued at \$794,988 using Black-Scholes. The Company used the following assumptions when valuing the underwriters warrants: expected volatility of 100%, risk free interest rate of 0.27%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

- b) Issued 1,195,000 for proceeds of \$478,000, pursuant to the exercise of stock options.
- c) Issued 225,000 shares valued at \$333,000 to FliteGold, in consideration of which, FliteGold terminated its royalty on the Avoca project. (Note 5).
- d) Closed a private placement financing and issued a total of 1,962,500 units at a price of \$4.00 per unit for gross proceeds of \$7,850,000. Each Unit consisted of one common share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase a Common Share at an exercise price of \$4.95 for a period of 24 months ending July 21, 2022.

The Company paid a syndicate of agents a cash commission of \$485,870 and issued a total of 121,468 common share purchase warrants with each broker warrant exercisable at \$4.00 per Common Share for a period of 24 months ending July 21, 2022.

- e) Received \$788,000 from the exercise of 1,970,000 stock options and \$4,616,852 from the exercise of 2,308,426 share purchase warrants.

During the period ended December 31, 2019 the Company:

- a) Issued one common share at a price of \$1.00 per share.
- b) Issued 12,750,000 common shares for total proceeds of \$9.
- c) Issued 3,000,000 common shares for all of the issued and outstanding securities of Currawong. Management estimated the fair value of these shares at \$450,000 (Note 5).
- d) Issued 9,000,000 common shares with a fair value of \$0.15 per share for cash of \$0.05 per common share. Share-based compensation expense of \$0.10 per share (\$900,000 in aggregate) was recorded upon the issuance of these common shares.
- e) Issued 5,230,000 common shares at a price of \$0.15 per share for total cash proceeds of \$784,500.

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**10. SHARE CAPITAL (cont'd...)****Subscription Receipts and Special Warrants**

On October 30, 2019, the Company closed a private placement by issuing an aggregate of 6,800,000 subscription receipts at a price of \$0.40 per subscription receipt for gross proceeds of \$2,720,000. In November 2019, the Company closed a private placement by issuing an aggregate of 8,202,750 special warrants at a price of \$0.40 per special warrant for gross proceeds of \$3,281,100.

The subscriptions receipts were included in restricted cash as at December 31, 2019. On March 25, 2020, the Subscription Receipts and Special Warrants converted to 15,002,750 common shares.

Share issue costs of \$283,051 have been incurred in connection with the subscription receipts and special warrants financings.

**Escrowed shares**

As at September 30, 2020, 20,850,001 common shares are held in escrow. The release schedules on listing were:

- 19,500,001 to be released pro-rata to the shareholders as to 10% on the date that the Company is listed on the TSX-V, with the remaining escrow shares being released in six equal tranches of 15% every six months for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.
- 5,500,000 to be released pro-rate to shareholders as to 20% on the date that the Company listed on the TSX-V, with the remaining escrow shares being released in four equal tranches of 20% each month for a period of four months.
- 4,980,000 to be released pro-rate to shareholders as to 20% on the date that the Company is listed on the TSX-V, with the remaining escrow shares being released in four equal tranches of 20% every 3 months for a period of 12 months.

**Stock Options and Warrants**

The Directors of the Company adopted a stock option plan on December 12, 2019 (the "Option Plan"). The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's common shares issued and outstanding at the time such options are granted. Options may be granted under the Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer, employee or consultant, or 2% of the issued common shares, if the individual is engaged in providing investor relations services, in a twelve month basis, unless disinterested shareholder approval is obtained. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

During the period ended September 30, 2020 the Company granted 345,000 (period from incorporation on July 22, 2019 to December 31, 2019 - 4,150,000) stock options exercisable at \$0.40 per option for a term expiring five years from the date of listing on the TSX-V to directors, officers and consultants of the Company. The options vested upon listing on the TSX-V on April 14, 2020. During the period ended September 30, 2020 the Company has recorded \$1,041,023 (Period from incorporation on July 22, 2019 to December 31, 2019 - \$302,109) of share-based payments expense.

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**10. SHARE CAPITAL (cont'd...)**

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

The following weighted average assumptions were used for the valuation of stock options:

	Nine months ended September 30,2020	Period from incorporation on July 22, 2019 to December 31, 2019
Risk-free interest rate	1.62%	1.64%
Expected life of options	5 years	5 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

The changes in the stock options and share purchase warrants for the period ended September 30, 2020 are as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, July 22, 2019	-	-	-	-
Granted	4,150,000	0.40	-	-
Balance, December 31, 2019	4,150,000	0.40	-	-
Granted	345,000	0.40	8,828,835	2.26
Exercised	(1,970,000)	0.40	(2,308,426)	2.00
Balance, outstanding and exercisable September 30, 2020	2,525,000	0.40	6,520,409	2.36

The balance of stock options and share purchase warrants outstanding as at September 30, 2020 was as follows:

Expiry Date	Number	Exercise Price - \$	Remaining Life (Years)
<b>Stock options</b>			
April 14, 2025	2,525,000	0.40	4.54
<b>Warrants</b>			
May 14, 2022	907,937	1.10	1.62
May 14, 2022	4,509,754	2.00	1.62
July 21, 2022	121,468	4.00	1.81
July 21, 2022	981,250	4.95	1.81

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**11. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

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

**12. FINANCIAL INSTRUMENTS**

For financial instruments held by the Company, management classifies cash as FVTPL, and accounts payable and accrued liabilities, loans from related parties, Subscription Receipts, and deferred acquisition payments as amortized cost.

**a) Fair value of financial instruments**

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;  
and

Level 3 – Inputs that are not based on observable market data.

As at September 30, 2020, the Company believes that the carrying values of accounts payable and accrued liabilities, loans from related parties approximate their fair values because of their nature and relatively short maturity dates or durations. The carrying value of deferred acquisition payments approximates fair value because the factors considered in assessing the fair value of this item have not changed from the issuance date to September 30, 2020. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

**b) Management of risks arising from financial instruments**

Discussions of risks associated with financial assets and liabilities are detailed below:

*Credit risk*

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with reputable Canadian and Australian banks. The credit risk related to cash is considered minimal.

*Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company has no interest-bearing financial instruments.

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**12. FINANCIAL INSTRUMENTS (cont'd...)**

**b) Management of risks arising from financial instruments (cont'd...)**

*Liquidity risk*

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Contractual cash flow requirements as at September 30, 2020 were as follows:

	<b>&lt; 1 year \$</b>	<b>1 – 2 years \$</b>	<b>3 – 5 years \$</b>	<b>Total \$</b>
Accounts payable and accrued liabilities	707,331	-	-	707,331
Loans from related parties	27,255	-	-	27,255
Lease liabilities	17,467	18,166	30,104	65,737
Deferred acquisition payments	67,463	67,463	-	134,926
<b>Total</b>	<b>819,516</b>	<b>85,629</b>	<b>30,104</b>	<b>935,249</b>

*Currency risk*

The international nature of the Company's operations results in foreign exchange risk. The Company's operating costs are primarily in Canadian dollars, Australian dollars and US dollars. Any fluctuations of the Canadian dollar in relation to these currencies may affect the profitability of the Company and the value of the Company's assets and liabilities. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

**13. RELATED PARTY TRANSACTIONS**

Key management compensation consists of the Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and the Board of Directors. The Company incurred charges to directors and officers, or to companies associated with these individuals, during the period ended September 30, 2020 as follows:

	<b>September 30, 2020 \$</b>	<b>September 30, 2019 \$</b>
Directors fees	45,000	-
Management fees	310,000	-
Geological consulting fees	160,000	-
Professional fees	248,641	-
Share issuance costs	72,476	-
Share-based payments	733,896	-
	<b>1,570,013</b>	<b>-</b>

As at September 30, 2020, \$32,908 (December 31, 2019 - \$29,792) was included in accounts payable and accrued liabilities owing to directors, officers, and companies controlled or affiliated with directors and officers of the Company in relation to fees and reimbursement of expenses.

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**14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the period ended September 30, 2020 the Company entered into the following non-cash transactions:

- a) Issued 225,000 shares valued at \$333,000 as exploration and evaluation acquisition costs.
- b) Reclassified \$711,108 from exploration and evaluation assets to Held for Distribution assets.
- c) Issued broker warrant valued at \$1,083,170 as shares issuance costs,

During the period ended September 30, 2019 the Company issued 3,000,000 shares valued at \$150,000 as exploration and evaluation acquisition costs.

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

**15. SUBSEQUENT EVENTS**

Subsequent to September 30, 2020, the Company:

- a) Received \$20,000 from the exercise of 50,000 stock options and \$5,342,825 from the exercise of 2,774,799 share purchase warrants.
- b) Completed the spin-out of Leviathan Gold, as discussed in Note 7. The shareholders of the Company received one share of Leviathan for each share of the Company held, resulting in Leviathan issuing 67,907,831 common shares to the Company's shareholders.