



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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.

SOUTH STAR MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

(Unaudited)

AS AT	September 30, 2020	December 31, 2019
ASSETS		
Current		
Cash	\$ 127,872	\$ 110,795
Receivables	861	4,375
Prepaid expenses	<u>10,671</u>	<u>20,192</u>
	139,404	135,362
Equipment	3,184	5,677
Exploration and evaluation assets	<u>5,735,914</u>	<u>5,735,914</u>
	<u>\$ 5,878,502</u>	<u>\$ 5,876,953</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 209,627	\$ 155,491
Convertible debentures (Note 4)	<u>277,596</u>	<u>-</u>
	487,223	155,491
Shareholders' equity		
Share capital (Note 5)	23,710,325	23,710,325
Reserves	3,310,453	3,232,749
Accumulated other comprehensive loss	74,722	48,434
Deficit	<u>(21,700,309)</u>	<u>(21,270,046)</u>
	<u>5,391,279</u>	<u>5,721,462</u>
	<u>\$ 5,878,502</u>	<u>\$ 5,876,953</u>

Nature and continuance of operations (Note 1)**Subsequent event** (Note 11)

Approved and authorized by the Board on November 24, 2020:

"David McMillan"
David McMillan

Director

"Richard Pearce"
Richard Pearce

Director

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

SOUTH STAR MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

For the	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
GENERAL EXPENSES				
Accretion expense (Note 4)	\$ 4,561	\$ -	\$ 6,118	\$ -
Business development (Note 9)	5,064	30,342	25,148	388,578
Consulting and management fees	12,000	80,000	61,000	284,000
Exploration and evaluation expenditures	77,772	469,879	165,547	788,732
Foreign exchange	(1,033)	(3,678)	3,646	637
Interest expense (Note 4)	7,118	-	9,451	-
Office and miscellaneous	5,073	4,942	14,402	16,010
Professional fees	2,934	2,546	42,177	20,617
Share-based payments (Note 5 & 6)	59,011	-	59,731	6,967
Transfer agent and filing fees	2,608	1,484	32,067	40,602
Travel	11,066	-	11,066	15,619
Loss for the period	(186,174)	(585,515)	(430,263)	(1,561,762)
Items that may be reclassified to net loss				
Other comprehensive loss				
Cumulative translation adjustment	6,468	3,820	22,376	80,843
Loss and comprehensive loss for the period	\$ (179,706)	\$ (581,695)	\$ (207,887)	\$ (1,480,919)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Weighted average number of common shares outstanding	42,905,430	42,905,430	42,905,430	42,030,155

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

SOUTH STAR MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended	September 30, 2020	September 30, 2019
CASH FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (403,263)	\$ (1,561,762)
Items not affecting cash:		
Unrealized foreign exchange	31,667	-
Accretion expense	6,118	-
Share-based payments	59,731	6,967
Depreciation included in exploration and evaluation expenditures	1,095	1,879
Interest on convertible debentures	9,451	-
Changes in non-cash working capital items:		
Receivables	3,514	4,234
Prepaid expenses	9,521	193,629
Accounts payable and accrued liabilities	<u>54,136</u>	<u>60,821</u>
Net cash used in operating activities	<u>(255,030)</u>	<u>(1,294,232)</u>
CASH FROM FINANCING ACTIVITIES		
Convertible debentures	280,000	-
Proceeds on issuance of common shares	-	405,000
Share issuance costs	<u>-</u>	<u>(11,100)</u>
Net cash provided by financing activities	<u>280,000</u>	<u>393,900</u>
Change in cash during the period	24,970	(900,332)
Effects of foreign exchange on cash	(7,893)	80,843
Cash, beginning of period	<u>110,795</u>	<u>1,275,577</u>
Cash, end of period	<u>\$ 127,872</u>	<u>\$ 456,088</u>

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

SOUTH STAR MINING CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	<u>Share capital</u>		Reserves	Accumulated other comprehensive loss	Deficit	Total
	Number	Amount				
Balance at December 31, 2018	38,855,430	\$ 23,358,715	\$ 3,187,793	\$ (30,950)	\$ (19,336,589)	\$ 7,178,969
Common shares issued for:						
Private placement	4,050,000	364,500	40,500	-	-	405,000
Share-based payments	-	-	6,967	-	-	6,967
Share issuance costs, cash	-	(11,100)	-	-	-	(11,100)
Share issuance costs, agent warrants	-	(1,790)	1,790	-	-	-
Cumulative translation adjustment	-	-	-	80,843	-	80,843
Loss for the period	-	-	-	-	(1,561,762)	(1,561,762)
Balance at September 30, 2019	42,905,430	23,710,325	3,237,050	49,893	(20,898,351)	6,098,917
Share-based payments	-	-	(4,301)	-	-	(4,301)
Cumulative translation adjustment	-	-	-	(1,459)	-	(1,459)
Loss for the period	-	-	-	-	(371,695)	(371,695)
Balance at December 31, 2019	42,905,430	23,710,325	3,232,749	48,434	(21,270,046)	5,721,462
Issuance of convertible debentures	-	-	17,973	-	-	17,973
Share-based payments	-	-	59,731	-	-	59,731
Cumulative translation adjustment	-	-	-	22,376	-	22,376
Loss for the period	-	-	-	-	(430,263)	(430,263)
Balance at September 30, 2020	42,905,430	\$ 23,710,325	\$ 3,310,453	\$ 70,810	\$ (21,700,309)	\$ 5,391,279

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

SOUTH STAR MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

South Star Mining Corp. (the “Company”, or “STS”) was incorporated in British Columbia. The Company is listed on the TSX Venture Exchange (the “Exchange”) in Canada and the OTC Bulletin Board in the United States.

The head office and records are located at 1200 - 750 West Pender Street, Vancouver, BC, V6C 2T8.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Brazil (Note 4).

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception, has a working capital deficit of \$347,819 (December 31, 2019 working capital - \$20,129) and had an accumulated deficit of \$21,700,309 as at September 30, 2020 which has been funded primarily by the issuance of shares. There is a material uncertainty related to these conditions that casts significant doubt about the Company’s ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares, but there is no assurance that it will be able to continue to do so in the future.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

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. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. BASIS OF PREPARATION

Statement of compliance

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

These condensed consolidated interim financial statements should be read in conjunction with the company’s annual consolidated financial statements for the year ended December 31, 2019 and are prepared consistent with the accounting policies, except where noted below.

SOUTH STAR MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards adopted

The Company adopted the following new standards effective January 1, 2020:

IFRS 3 – Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 – Definition of a Business which:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an option concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Company does not expect any material impact upon adoption.

4. CONVERTIBLE DEBENTURES

	Liability Component	Other Financial Liability Component	Total
10% Debentures (matures on May 6, 2021)			
Opening balance	\$ -	\$ -	\$ -
Convertible debentures recognized	262,027	-	262,027
Accretion expense	6,118	-	6,118
Interest expense	-	9,451	9,451
Balance, September 30, 2020	\$ 268,145	\$ 9,451	\$ 277,596

In May 2020, the Company issued convertible debentures of \$280,000 with a maturity date of May 6, 2021 and an annual interest rate of 10% (the “**Debentures**”) compounded monthly. The 10% Debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$0.05 per unit. Each unit consists of one common share and a one share purchase warrant at an exercise price of \$0.06 for a period of 3 years. Interest may also be converted into units, at the option of the Company, at a price per unit which equals the greater of the market price on the date the accrued interest becomes payable or the volume weighted average trading price of the Company’s common shares on the Exchange for the 10 consecutive trading days preceding the date the accrued interest becomes payable. Each unit acquired on conversion of accrued interest will have the same terms above.

SOUTH STAR MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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4. CONVERTIBLE DEBENTURES (cont'd...)

The 10% Debentures are recorded as a hybrid financial instrument. The non-derivative debt (interest and principal portion) was recorded at fair value on the date of issue and was recognized at \$262,027 which was net of deferred financing costs of \$17,973, estimated using discounted future cash flows at an estimated discount rate of 17.48%. Subsequently the non-derivative debt component is measured at amortized cost using the effective interest method over the life of the debenture.

5. SHARE CAPITAL AND RESERVES

Authorized share capital

As at September 30, 2020, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

Private placements

During the nine months period ended September 30, 2020, the Company did not issue any shares.

During the year ended December 31, 2019, the Company completed a non-brokered private placement by issuing 4,050,000 units at a price of \$0.10 per unit for gross proceeds of \$405,000. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.15 for two years. The Company issued 49,000 agent warrants valued at \$1,790 using the Black-Scholes pricing model with an expected life of 2 years, volatility of 100%, and a discount rate of 1.77%. Each agent warrant entitles the holder to purchase a whole unit with the same terms as above, at a price of \$0.15. The Company also paid \$11,100 as finder and professional fees related to the transaction.

SOUTH STAR MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES (cont'd...)**Stock options and share purchase warrants**

Stock option and share purchase transactions are summarized as follows:

	Stock options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2018	3,700,000	0.39	21,128,000	0.74
Granted/issued	90,000	0.15	4,099,000	0.15
Cancelled	(1,200,000)	0.36	-	-
Outstanding, December 31, 2019	2,590,000	0.39	25,227,000	0.64
Granted/issued	2,660,000	0.055	-	-
Cancelled	(1,000,000)	0.45	-	-
Expired	-	-	(21,128,000)	0.74
Outstanding, September 30, 2020	4,250,000	\$ 0.16	4,099,000	\$ 0.15
Exercisable, September 30, 2020	3,057,500	\$ 0.21	4,099,000	\$ 0.15

Stock options and share purchase warrants outstanding

The following incentive stock options and share purchase warrants were outstanding as at September 30, 2020:

Number	Exercise price	Expire date
Stock options		
900,000	\$ 0.30	May 30, 2022
600,000	0.45	July 30, 2023
90,000	0.15	June 17, 2024
2,660,000	0.055	August 4, 2025
4,250,000	\$ 0.16	
Share purchase warrants		
4,099,000	\$ 0.15	February 28, 2021
4,099,000	\$ 0.15	

SOUTH STAR MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

5. SHARE CAPITAL AND RESERVES (cont'd...)

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The vesting determined by the board of directors.

During the period ended September 30, 2020, the Company granted 2,660,000 (2019 - 90,000) options.

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

	September 30, 2020	December 31, 2019
Risk-free interest rate	0.41%	1.4%
Expected life of options	5 years	5 years
Annualized volatility	108.77%	100%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

6. RELATED PARTY TRANSACTIONS

Key management personnel consist of the officers of the Company and the Company's Board of Directors. During the period ended September 30, 2020, the Company:

- Paid or accrued management and consulting fees of \$15,000 (2019 - \$98,000) to a director and former CEO of the Company;
- Paid or accrued management and consulting fees of \$36,000 (2019 - \$36,000) to a company partially owned by the CFO of the Company;
- Paid or accrued management and consulting fees of \$Nil (2019 - 115,556) to the CEO of the Company. These are included in exploration and evaluation expenditures;
- Paid or accrued management and consulting fees of \$Nil (2019 - \$62,108) to a director of the Company. These are included in exploration and evaluation expenditures; and
- Paid or accrued management and consulting fees of \$Nil (2019 - \$135,000) to a company controlled by two directors of the Company.

Included in accounts payable and accrued liabilities as at September 30, 2020 is \$132,630 (December 31, 2019 - \$101,910) due to both current and former officers, directors or companies with a director in common for cash advances, unpaid consulting fees and unpaid expenses.

During the period ended September 30, 2020, the Company received a loan of \$7,512 from the CEO that is non-interest bearing and due on demand. The loan was fully repaid during the period ended September 30, 2020.

SOUTH STAR MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd...)

During the nine months period ended September 30, 2020, the Company recorded share-based payments of \$59,073 (2019 - \$6,967) related to the fair value of stock options issued to key management personnel.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at September 30, 2020, the carrying value and fair values of the Company's financial instruments, with comparative figures for 2019 are shown in the table below:

	September 30, 2020		December 31, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash	\$ 127,872	\$ 127,872	\$ 110,795	\$ 110,795
Financial liabilities				
Accounts payable	209,627	209,627	155,491	155,491
Convertible debentures	\$ 277,596	\$ 277,596	\$ -	\$ -

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had a cash balance of \$127,872 (December 31, 2019 - \$110,795) to settle current liabilities of \$487,223 (December 31, 2019 - \$155,491). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

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. The Company does not have a practice of trading derivatives.

SOUTH STAR MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at September 30, 2020, the Company did not have any investments in investment-grade short-term deposit certificates.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

8. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. Capital is comprised of the Company's shareholders' deficiency. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

9. BUSINESS DEVELOPMENT

For the nine months ended:	September 30, 2020	September 30, 2019
Investor relations	\$ 25,148	\$ 124,578
Financial advisory	-	157,500
Business development	<u>-</u>	<u>106,500</u>
	<u>\$ 25,148</u>	<u>\$ 388,578</u>

SOUTH STAR MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

10. COMMITMENTS

During the nine months period ended September 30, 2020, the Company did not enter any new agreements.

During the year ended December 31, 2019, the Company:

- a) Entered into a service agreement (“Agreement”) related to investment community outreach, corporate communications, branding, social and digital media for a fixed term of twelve months ending August 31, 2020. Pursuant to the Agreement, the Company will pay \$6,000 per month in fees and grant a share option consisting of 1,500,000 common shares vest quarterly over twelve months and have a five-year term. In the absence of written termination notice by either party effective August 31, 2020, service shall continue thereafter on a month-to-month basis whereby cancellation by either party requires two months’ notice in writing; and
- b) Entered into a consulting agreement with the President and CEO of the Company for a two-year term, ending June 9, 2021. Pursuant to the agreement, the Company will pay US\$15,000 per month in fees and grant a share option consisting of 90,000 common shares vest quarterly over eighteenth months and have a five-year term. If Company treasury falls below \$100,000 cash, then no salary will be paid but will accrue.