



**(An Exploration Stage Corporation)**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

For the three and nine months ended  
September 30, 2019

(Unaudited – prepared by management)

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements have been prepared by management.

The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

**OMINECA MINING AND METALS LTD.**  
**(An Exploration Stage Corporation)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in Canadian dollars)**

	<b>September 30</b>	<b>December 31</b>
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 119,207	\$ 6,544
Accounts receivable	11,413	12,994
Current investments (Note 3)	<u>7,982</u>	<u>36,575</u>
	<b>138,602</b>	<b>56,113</b>
<b>Reclamation bonds</b> (Note 11)	<b>65,000</b>	65,000
<b>Property and equipment</b> (Note 4)	<b>6,474</b>	8,333
<b>Exploration and evaluation assets</b> (Notes 5 and 10)	<u><b>7,795,805</b></u>	<u>7,136,186</u>
	<b>\$8,005,881</b>	<b>\$7,265,632</b>
<b>Liabilities and Shareholders' Equity (Deficit)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 422,100	\$ 660,481
<b>Long term liabilities</b>	<b>492,864</b>	359,087
<b>Decommissioning provision</b> (Note 11)	<b>65,000</b>	65,000
<b>Debenture payable</b> (Note 6)	<u><b>8,540,706</b></u>	<u>7,978,518</u>
	<b>9,520,670</b>	<b>9,063,086</b>
<b>Shareholders' equity (deficit)</b>		
Share capital (Note 7)	17,515,874	16,978,281
Equity component of convertible debenture	448,116	448,116
Contributed surplus (Note 7)	982,101	729,301
Deficit	<u><b>(20,460,880)</b></u>	<u>(19,953,152)</u>
	<b>(1,514,789)</b>	<b>(1,797,454)</b>
	<b>\$8,005,881</b>	<b>\$7,265,632</b>
<b>Nature and continuance of operations</b> (Note 1)		
<b>Commitments and contingencies</b> (Note 11)		

**On behalf of the Board:**

"Tom MacNeill" Director  
Mr. Tom MacNeill (Signed)

"Andrew Davidson" Director  
Mr. Andrew Davidson (Signed)

**OMINECA MINING AND METALS LTD.**  
**(An Exploration Stage Corporation)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Expressed in Canadian dollars)**

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2019	2018	2019	2018
<b>Operating Expenses</b>				
Administration costs	\$ 47,318	\$ 59,699	\$ 167,745	\$ 169,920
Professional fees (Note 11)	4,687	-	27,165	13,815
Public company costs	11,928	1,595	22,609	12,352
Trade shows, travel and promotion	760	-	6,956	-
<b>Net Loss from operating expenses</b>	<b>64,693</b>	61,294	<b>224,475</b>	198,297
Depreciation	620	891	1,859	2,674
Share-based payments (Note 8)	-	-	252,800	180,000
Write down of exploration and evaluation assets	-	176,262	-	518,199
<b>Net Loss before other items</b>	<b>(65,313)</b>	(238,447)	<b>(479,135)</b>	(899,170)
<b>Other items</b>				
Realized (loss) on investments (Note 3)	-	(4,009)	-	(4,009)
Unrealized gain (loss) on investments (Note 3)	(29,510)	(10,993)	(28,593)	(45,227)
<b>Comprehensive loss for the period</b>	<b>\$(94,823)</b>	\$(253,449)	<b>\$(507,728)</b>	\$(948,406)
Loss per share – basic and diluted (Note 10)	<b>\$(0.00)</b>	\$(0.00)	<b>\$(0.01)</b>	\$(0.01)
<b>Weighted average number of shares – basic and diluted (Note 10)</b>	<b>84,894,386</b>	73,894,386	<b>80,542,738</b>	73,894,386

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

**OMINECA MINING AND METALS LTD.**  
**(An Exploration Stage Corporation)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
**(Expressed in Canadian dollars)**

	Share Capital		Equity component of convertible debenture	Contributed surplus		Accumulated Other Comprehensive Income (loss)	Deficit	Total
	Shares	Amount		Share-based payments	Warrant reserve			
Balance, January 1, 2018	73,894,386	\$16,978,281	\$448,116	\$535,751	\$13,550	\$ 28,863	\$(18,654,610)	\$ (650,049)
Share-based payments	-	-	-	180,000	-	-	-	180,000
Other comprehensive loss	-	-	-	-	-	(45,227)	-	(45,227)
Loss for the period	-	-	-	-	-	-	(903,179)	(903,179)
<b>Balance, September 30, 2018</b>	<b>73,894,386</b>	<b>16,978,281</b>	<b>448,116</b>	<b>715,751</b>	<b>13,550</b>	<b>(16,364)</b>	<b>(19,557,789)</b>	<b>(1,418,455)</b>
Balance, January 1, 2019	73,894,386	\$16,978,281	\$448,116	\$715,751	\$13,550	\$ -	\$(19,953,152)	\$ (1,797,454)
Share issuance	11,000,000	550,000	-	-	-	-	-	550,000
Share issue costs	-	(12,407)	-	-	-	-	-	(12,407)
Share-based payments	-	-	-	252,800	-	-	-	252,800
Loss for the period	-	-	-	-	-	-	(507,728)	(507,728)
<b>Balance, September 30, 2019</b>	<b>84,894,386</b>	<b>\$17,515,874</b>	<b>\$448,116</b>	<b>\$968,551</b>	<b>\$13,550</b>	<b>\$ -</b>	<b>\$(20,460,880)</b>	<b>\$ (1,514,789)</b>

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

**OMINECA MINING AND METALS LTD.**  
**(An Exploration Stage Corporation)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

<b>For the nine months ended September 30</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Loss for the period	<b>\$(507,728)</b>	\$(903,179)
Adjustment for:		
Depreciation	<b>1,859</b>	2,674
Realized loss on investments	-	4,009
Unrealized loss on investments	<b>28,593</b>	-
Share-based payments	<b>252,800</b>	180,000
Write-down of exploration and evaluation assets	-	518,199
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	<b>1,581</b>	12,255
Decrease (increase) in prepaids	-	(57,128)
Increase in accounts payable and accrued liabilities and long-term liabilities	<b>(167,669)</b>	211,805
	<b>(390,564)</b>	(31,365)
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	-	4,448
Proceeds from option agreement	-	20,000
Exploration and evaluation expenditures	<b>(34,366)</b>	(6,237)
	<b>(34,366)</b>	18,211
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	<b>550,000</b>	-
Share issue costs	<b>(12,407)</b>	-
	<b>537,593</b>	-
<b>Increase (decrease) in cash and cash equivalents</b>	<b>112,663</b>	(13,962)
Cash and cash equivalents, beginning of period	<b>6,544</b>	13,987
<b>Cash and cash equivalents, end of period</b>	<b>\$ 119,207</b>	\$ 833

The Company made no cash payments for income taxes or interest.  
The Company received cash payments of \$nil (2018 - \$nil) for interest in the year.  
See Note 14 Supplemental Cash Flow Information

**September 30, 2019 and 2018**

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## **1. Nature and Continuance of Operations**

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Omineca Mining and Metals Ltd. (the "Company", "OMM") was incorporated on March 15, 2011, pursuant to the Alberta Business Corporation Act (Alberta), and is extra-provincially registered in the Yukon and British Columbia. The Company is a junior resource company holding properties in British Columbia and the Yukon for the purpose of exploring for, and the development of mineral resources. As the Company has not commenced production on any of its mining properties the Company is an exploration stage company. The ultimate parent company is 49 North Resources Inc., who owns 59.88% of the share capital of the Company and is the ultimate controlling party.

The Company's corporate office and principal place of business is Suite 602, 224-4<sup>th</sup> Avenue South, Saskatoon, Saskatchewan, Canada.

Management believes the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. These uncertainties cast a substantial doubt regarding the Company's ability to continue as a going concern. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

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## **2. Basis of Preparation**

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### **(a) Statement of Compliance**

These unaudited condensed consolidated interim financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2018.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on November 28, 2019.

### **(b) Basis of Measurement**

These audited consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI") which are stated at their fair value. In addition, these audited consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These audited consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### **(c) New accounting pronouncements**

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2019 reporting period. The Company is assessing the impact that the new and amended standards will have on its consolidated financial statements. The following is a brief summary of the new standards:

#### **IFRS 16 – Leases**

The new standard recognizes most leases for lessees under a single model, eliminating the distinction between operating and finance leases. The application of this standard is effective for annual periods beginning on or after January 1, 2019.

**OMINECA MINING AND METALS LTD.**  
**(An Exploration Stage Corporation)**  
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**(Expressed in Canadian dollars)**

**September 30, 2019 and 2018**

**3. Current Investments**

The Company holds securities that have been designated as FVTPL as follows:

	<b>September 30, 2019</b>		December 31, 2018	
	<b>Fair Value</b>	<b>Cost</b>	Fair Value	Cost
<b>Current:</b>				
Common shares in public companies	<b>\$ 7,982</b>	<b>\$ 56,597</b>	\$ 36,575	\$ 56,597

For securities traded in an active market, fair value is based on the quoted closing bid prices of the securities at September 30, 2019 and December 31, 2018. Cost is calculated using the quoted closing bid price on the date of receipt of the securities.

The Company received nil (2018 - 250,000) shares valued at \$nil (2018 - \$28,750) during the period, for the Kiwi Project (note 5).

The Company sold securities during the period, receiving proceeds of \$nil (2018 - \$nil) with resultant losses on sales recorded of \$nil (2018 - \$nil).

During the period, the Company recorded unrealized losses of \$28,593 (2018 - losses of \$25,892).

**4. Property and Equipment**

<b>Cost</b>	<b>Excavation Equipment</b>	<b>Furniture Fixtures &amp; Equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b>Balance at December 31, 2017</b>				
<b>2018 and September 30, 2019</b>	<b>\$167,434</b>	<b>\$1,473</b>	<b>\$17,850</b>	<b>\$186,757</b>
<b>Accumulated Depreciation</b>				
Balance at December 31, 2017	\$156,734	\$1,209	\$16,916	\$174,859
Depreciation	3,231	53	281	3,565
Balance at December 31, 2018	159,965	1,262	17,197	178,424
Depreciation	1,680	33	146	1,859
<b>Balance at September 30, 2019</b>	<b>\$161,645</b>	<b>\$1,295</b>	<b>\$17,343</b>	<b>\$180,283</b>
<b>Carrying Value</b>				
At December 31, 2018	\$ 7,469	\$ 211	\$ 653	\$ 8,333
<b>At September 30, 2019</b>	<b>\$ 5,789</b>	<b>\$ 178</b>	<b>\$ 507</b>	<b>\$ 6,474</b>

**OMINECA MINING AND METALS LTD.**  
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**September 30, 2019 and 2018**

**5. Exploration and Evaluation Assets**

The Company has classified its exploration and evaluation properties into two geographical locations, namely British Columbia and the Yukon. The following is a summary of the properties:

	British Columbia			Yukon	Total
	Abo	Fraser Canyon	Wingdam	Kiwi	
December 31, 2017	\$1	\$10,509	\$7,034,019	\$ 176,795	\$7,221,324
Exploration costs	-	43,755	47,901	-	91,656
Accretion & interest	-	-	698,088	-	698,088
Option payments	-	-	-	(48,750)	(48,750)
Write-down of exploration and evaluation assets	-	-	(698,088)	(128,044)	(698,088)
December 31, 2018	1	54,264	7,081,920	1	7,136,186
Acquisition and renewal			5,415		5,415
Exploration costs	-	6,712	85,304	-	92,016
Accretion & interest	-	-	562,188	-	562,188
<b>September 30, 2019</b>	<b>\$1</b>	<b>\$60,976</b>	<b>\$7,734,827</b>	<b>\$ 1</b>	<b>\$7,795,805</b>

<b>2019</b>	Wingdam	Fraser Canyon	Total
Tenure & permits	\$ 1,323	\$ -	\$ 1,323
Geophysical	28,285	6,712	34,997
Environmental	20,861	-	20,861
Personnel	34,000	-	34,000
Travel and accommodation	835	-	835
	<b>\$ 85,304</b>	<b>\$ 6,712</b>	<b>\$ 92,016</b>

2018	Wingdam	Fraser Canyon	Total
Tenure & permits	\$ 14,758	\$ -	\$ 14,758
	<b>\$ 14,758</b>	<b>\$ -</b>	<b>\$ 14,758</b>

As at September 30, 2019, the Company has executed option agreements with third parties on the following projects:

**BC Projects**

**Abo (Harrison) Project**

The 2,427 ha property, consisting of 11 claim units, is situated north of Harrison Hot Springs, B.C. One claim, Hot 4, is subject to a 2% NSR.

On November 17, 2011, the Company completed an option agreement whereby Sierra Madre Developments Inc. ("Sierra") can earn a 100% interest in the property by making exploration expenditures of \$3,000,000 and completing payments of 1,333,334 post-consolidated shares and \$1,000,000 cash over a five year period. The property is subject to a 2% Net Smelter Return Royalty payable to the Company. Sierra has the right to purchase 1% of the Royalty at any time for the sum of \$1,000,000 in cash.

On May 21, 2015, the Company and Sierra amended the option agreement agreeing to extend the share payment and expenditure due dates for a period of one year and to reduce the total expenditure requirements to \$2,000,000; and by amending the terms of the cash payments such that \$400,000 may be made in shares of Sierra and the balance of \$500,000 paid in instalments by way of an Advanced Preferred Royalty. In consideration, Sierra agrees to issue an additional 1,500,000 shares.

**September 30, 2019 and 2018**

**5. Exploration and Evaluation Assets - continued**

On February 20, 2017, the Company and Sierra further amended the option agreement on the Abo property changing the definition of "Triggering Event", adding Bear Mountain Gold Mines Ltd. to the agreement as a third party and amending the option payments schedule. As consideration, Sierra agreed to issue an additional 500,000 shares to the Company. Payments are now due as follows:

Cash Payments	Share Payments	Exploration Expenditures	Due Date
\$ 25,000	-	\$ -	On execution date (received)
25,000	66,667	-	December 5, 2011 (received)
50,000	100,000	-	December 5, 2012 (received)
		50,000	December 31, 2017 (not completed)
-	666,666	100,000	December 31, 2018 (not completed)
-	500,000	100,000	December 31, 2019
400,000	2,000,000	1,750,000	December 31, 2020
500,000			Preferred Advance Royalty payments
<u>\$ 1,000,000</u>	<u>3,333,333</u>	<u>\$ 2,000,000</u>	

**Wingdam Project**

CVG entered into an option agreement to acquire a 100% interest in certain placer claims and mineral leases (the "Wingdam Project") in the province of British Columbia. As part of the option agreement, CVG paid \$2,500,000 and consequently owns 100% of the mineral rights on property, subject to a 1% net smelter royalty payable to the vendor. CVG has the ability to acquire the rights to the net smelter royalties from the vendor at any time for an amount of \$1,000,000.

The Wingdam project is currently permitted under a BC Ministry of Natural Resource Operations permit and a BC Ministry of Environment Effluent Discharge permit, and has been under care and maintenance since September 25, 2012. On January 21, 2015 the Company received an amendment to its Wingdam Project Mines Act permit from the BC Ministry Of Energy and Mines.

**Fraser Canyon Project**

CVG entered into an option agreement to acquire a 100% interest in certain placer claims and mineral leases (the "Fraser Canyon Project") in the province of British Columbia. As part of the option agreement, CVG paid \$30,000 and consequently owns 100% of the mineral rights of the property, subject to a 2.5% net smelter royalty payable to the vendor. CVG has the ability to acquire the rights to the net smelter royalties from the vendor at any time for an amount of \$250,000.

**Yukon Projects**

**Kiwi Project**

On February 15, 2013, the Company and HFX Holding Corp. ("HFX") entered into a letter agreement whereby HFX may earn a 100% interest in the Kiwi Gold Property, located in central Yukon. Under the terms of the agreement, HFX has the option to earn a 100% interest in the property by making \$320,000 in cash payments and issuing 800,000 common shares to Omineca over 6 years. Omineca will maintain a 2% Net Smelter Royalty on the claims, which may be reduced to 1% upon payment of \$1,000,000. On July 11, 2015, the Company and HFX amended the option agreement agreeing to amend the terms of the cash payments such that in lieu of the \$40,000 due July 12, 2015, HFX will issue 100,000 shares due March 1, 2016 (received). On July 11, 2016, the Company and HFX further amended the option agreement agreeing to amend the terms of the cash payments such that in lieu of the \$50,000 due July 12, 2016, HFX will issue 100,000 shares due November 14, 2016 (received). On July 11, 2017, the Company and HFX further amended the agreement to change the payment schedule. Payments are due as follows:

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**September 30, 2019 and 2018**

**5. Exploration and Evaluation Assets - continued**

Cash Payments	Share Payments	Due Date
\$ 30,000	50,000	July 12, 2013 (received)
-	100,000	July 12, 2014 (received)
-	100,000	July 12, 2015 (received)
-	100,000	March 1, 2016 (received)
-	250,000	November 14, 2016 (received)
20,000	250,000	December 31, 2017 (received in the year ended December 31, 2018)
75,000	250,000	July 12, 2018 (not completed)
75,000	-	July 12, 2019
<u>\$ 200,000</u>	<u>1,100,000</u>	

During the year ended December 31, 2018, the Company recognized an impairment charge of \$128,044 due to the optionee being delinquent in making the option payments.

**6. Convertible Debenture**

The Company has a convertible debenture with 49 North Resources Inc. The debenture was amended on September 19, 2016 extending the maturity by three years to October 1, 2021 (previously October 1, 2018). Under the Amended Debenture, 49 North can convert the principal amount into common shares of Omineca at a conversion price of \$0.20 per common share prior to October 1, 2017; \$0.50 per common share on or after October 1, 2017 but prior to October 1, 2018; and \$0.75 per common share on or after October 1, 2018 (previously \$1.25 after October 1, 2015). The debenture bears interest of 8% per annum, calculated and compounded monthly and is payable upon maturity at October 1, 2021. Accrued interest on the Amended Debenture is also convertible at a conversion price equal to the greater of the minimum price per common share permitted by the TSXV and the prevailing conversion price applicable to the principal amount at the time of conversion.

The change in terms of the debt resulted in less than a 10% change in cash flows, therefore it is considered a modification of the original debt, rather than an extinguishment of the old debt and the recognition of a new debt.

Payments against principal and interest shall be payable in the event ore sales are generated. The Company's wholly owned subsidiary, CVG Mining Ltd., has guaranteed the debenture and grants to 49 North Resources Inc. a fixed and specific first ranking mortgage, assignment and charge in the Wingdam property.

The convertible debenture has been classified into its separate debenture liability and equity portions in the Company's consolidated financial statements by the fair value method using an effective interest of 9.76% when valuing the liability first. This resulted in an initial amount of \$5,019,984 being allocated to the liability portion and \$303,244 being allocated to the equity portion. The carrying value of the debenture will be accreted up to its face value over the term to maturity.

	<b>September 30 2019</b>	December 31 2018
Original face value of convertible debenture	<b>\$5,400,000</b>	\$5,400,000
Less: equity portion of convertible debenture	<b>(144,872)</b>	(144,872)
Add: accretion	<b>68,100</b>	68,100
Carrying amount of convertible debenture at amendment date	<b>5,323,228</b>	5,323,228
Less: equity portion of amended convertible debenture	<b>(303,244)</b>	(303,244)
Add: accretion	<b>207,809</b>	82,284
Add: accrued interest	<b>3,312,913</b>	2,178,162
	<b><u>\$8,540,706</u></b>	<u>\$7,280,430</u>

**OMINECA MINING AND METALS LTD.**  
**(An Exploration Stage Corporation)**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**

**September 30, 2019 and 2018**

**7. Equity Instruments**

a) Authorized

Unlimited number of common shares without nominal or par value.

Unlimited number of first and second preference shares without nominal or par value, with the rights, privileges and conditions thereof determined by the directors of the Company at the time of issuance.

b) Issued and outstanding

At September 30, 2019, there were 84,894,386 (2018 – 73,894,386) shares issued and outstanding. As at September 30, 2019, nil shares were escrowed.

On April 17, 2019, the Company closed a non-brokered private placement, selling 11,000,000 non-flow-through units at a price of \$0.05 per unit for gross proceeds of \$550,000. Each unit consisted of a non-flow-through common share and on non-flow-through common share purchase warrant, each whole warrant exercisable at \$0.10 for a 24 month period. A finder's fee of \$400 cash was paid to third party.

c) Stock Option Plan

The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% of the issued and outstanding common shares of the Company. The exercise price and vesting period of options granted is not less than the market price of the common shares traded less the available discount under TSX Venture Exchange Inc. policies, and is determined by the Board of Directors. Options granted can have a term of up to 10 years.

As at September 30, 2019 and December 31, 2018, the Company has the following stock options outstanding:

Total issued and outstanding	Number of Options	Exercise Price per Share Range	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2017	2,570,000	\$ 0.10 - \$0.20	\$ 0.13	1.59 years
Granted	4,000,000	0.05	0.05	
Expired	(1,845,000)	(0.10)	(0.10)	
Balance, December 31, 2018	4,725,000	\$0.05 - \$0.20	\$ 0.07	8.32 years
Granted	3,200,000	0.08	0.08	
<b>Balance, September 30, 2019</b>	<b>7,925,000</b>	<b>\$ 0.05 - \$0.20</b>	<b>\$ 0.08</b>	<b>6.37 years</b>

As at September 30, 2019, the following table summarizes information about stock options outstanding:

Options Outstanding	Exercise Price	Expiry Date	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
725,000	\$ 0.20	June 15, 2021	725,000	\$ 0.20
4,000,000	0.05	May 15, 2028	4,000,000	0.05
3,200,000	0.08	May 3, 2024	3,200,000	0.08
<b>7,925,000</b>			<b>7,925,000</b>	<b>\$ 0.08</b>

**September 30, 2019 and 2018**

**7. Equity Instruments - continued**

(d) Compensation expense for share options

During the period ended September 30, 2019, \$252,800 (December 31, 2018 - \$180,000) was recorded as share-based payments for options granted and vested in the period. Share-based payments are determined based on the estimated fair value of the options at the grant dates and amortized over the vesting period.

On May 15, 2018, the board of directors of the Corporation approved the grant of 4,000,000 stock options pursuant to the Option Plan. 2,000,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$0.05 per share, vest immediately and, if not exercised, expire May 15, 2028, subject to earlier expiration in accordance with the Option Plan and applicable policies of the TSX-V.

The value of options issued on May 15, 2018, using the Black-Scholes option pricing model, was \$180,000 (\$0.045 per option) which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: share price on grant date of \$0.045, risk-free interest rate of 2.35%, expected life of 10 years, annualized volatility 225.13% determined by reference to the Company's historical trading prices, and dividend rate of nil.

On May 3 2019, the board of directors of the Corporation approved the grant of 3,200,000 stock options pursuant to the Option Plan. 1,500,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$0.08 per share, vest immediately and, if not exercised, expire May 3, 2024, subject to earlier expiration in accordance with the Option Plan and applicable policies of the TSX-V.

The value of options issued on May 3, 2019, using the Black-Scholes option pricing model, was \$252,800 (\$0.079 per option) which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: share price on grant date of \$0.08, risk-free interest rate of 1.70%, expected life of 10 years, annualized volatility 233.95% determined by reference to the Company's historical trading prices, and dividend rate of nil.

(e) Warrants outstanding

As at September 30, 2019, the Company has the following warrants outstanding:

Total issued and outstanding	Number of Warrants	Exercise Price per Share Range	Weighted Average Remaining Life
Balance, December 31, 2016 and December 31, 2017	4,305,000	\$ 0.10	0.21 years
Expired	(1,355,000)	0.10	
Expired	(2,950,000)	0.10	
Balance, December 31, 2018	-	-	nil years
Issued	11,000,000	0.10	
<b>Balance, September 30, 2019</b>	<b>11,000,000</b>	<b>\$ 0.10</b>	<b>1.55 years</b>

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**September 30, 2019 and 2018**

**8. Income Taxes**

At December 31, 2018 there are non-capital tax losses of \$3,645,222 (2017 - \$3,375,812) available for carry-forward to reduce future years' taxable income that will expire as follows:

2029	\$	11,296
2030		653,558
2031		485,759
2032		558,360
2033		406,351
2034		410,915
2035		345,450
2036		269,044
2037		235,079
2038		269,410
		\$ 3,645,222

**9. Per Share Amounts**

The calculation of per share amounts are based on the weighted average number of shares outstanding during the period ended September 30, 2019 of 84,894,386 (2018 – 73,894,386) shares.

The net effect of applying the treasury-stock method to the weighted average number of shares outstanding has an anti-dilutive effect for the periods ended September 30, 2019 and 2018.

**10. Related Party Transactions**

The Company was involved in the following related party transactions during the period:

- (a) The Company has a convertible debenture with accrued interest with 49 North Resources Inc. During the period ended September 30, 2019 the Company accrued \$505,766 (2018 - \$467,006) in interest expense and \$56,421 (2018 - \$51,193) in accretion expense. These amounts have been capitalized as part of exploration and evaluation assets.

Compensation to key management personnel in the period and prior period:

	2019	2018
Consulting and management fees	\$ 90,000	\$ 60,000
Share-based compensation	118,500	90,000
	\$ 208,500	\$ 150,000

- (b) Included in administration costs is \$nil (2018 - \$nil) paid or accrued for consulting fees to a company with a common parent company. At September 30, 2019, \$237,422 (December 31, 2018 - \$178,346) is included in long term liabilities.
- (c) Included in administration costs is \$60,000 (2018 - \$60,000) paid or accrued for consulting fees to a company controlled by a director and officer of the Company. At September 30, 2019, \$17,000 (December 31, 2018 - \$74,750) is included in accounts payable and accrued liabilities.
- (d) Included in administration costs is \$60,000 (2018 - \$60,000) paid or accrued for consulting fees to a company controlled by a director and officer of the Company. At September 30, 2019, \$27,000 (December 31, 2018 - \$84,750) is included in accounts payable and accrued liabilities.

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**10. Related Party Transactions - continued**

- (e) During the year ended December 31, 2017 the Company received short term loans from directors and a former officer totaling \$10,000. The loans are non-interest bearing, unsecured, and has no specific terms of repayment. As at September 30, 2019 the total director loans payable outstanding was \$10,000 and is included in accounts payable and accrued liabilities. The loans were repaid in full in the reporting period.

All related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties.

**11. Commitments and Contingencies**

The Company has \$65,000 (2018 - \$65,000) held as project reclamation deposits in favor of regulatory authorities. The amount of the deposit is determined at the time the exploration program is planned and a notice of work is submitted to the regulatory authority. If the work is more extensive than previously planned, the amount of the deposit will be increased. When reclamation work is completed on a project to the satisfaction of the regulatory authority, the deposit is released to the Company.

The Company has agreed to indemnify directors and officers under the bylaws of the Company to the extent permitted by law. The nature of the indemnifications prevent the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such an indemnification agreement. The Company has purchased various insurance policies to reduce the risks association with such indemnification.

**12. Financial Instruments**

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

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); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

<b>September 30, 2019</b>	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 119,207	\$ -	\$ -	\$ 119,207
Investments	\$ 7,982	\$ -	\$ -	\$ 7,982
<hr/>				
December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 6,544	\$ -	\$ -	\$ 6,544
Investments	\$ 36,575	\$ -	\$ -	\$ 36,575

**September 30, 2019 and 2018**

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## **12. Financial Instruments - continued**

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The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to concentration risk, credit risk, currency risk, price risk, commodity price risk and liquidity risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

a) Concentration risk

At September 30, 2019, all of the Company's cash and cash equivalents were held at two recognized Canadian national financial institutions. As a result, the Company was exposed to all of the risks associated with those institutions. Concentration risk also exists in marketable securities (investments) because the Company's investments are primarily in shares of junior resource companies involved in gold exploration.

b) Credit risk

The Company is exposed to credit risk, which is the risk that a customer or counterparty will fail to perform an obligation or settle a liability, resulting in financial loss to the Company. The Company manages exposure to credit risk by adopting credit risk guidelines that limit transactions according to counterparty credit worthiness. The maximum credit exposure associated with accounts receivable is the carrying value.

c) Currency risk

Currency risk is the risk to the Company's operations that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at September 30, 2019, the Company has no monetary assets or liabilities in foreign currencies.

d) Price risk

The Company's investments designated as FVTPL and are traded on the TSX Venture Exchange. A 1% change in the quoted share price would change the fair value of the investments by approximately \$370. The change would be recorded in profit or Loss.

e) Commodity price risk

The value of the Company's exploration and evaluation resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

f) Liquidity risk

Currently the Company's capital is not sufficient to meet long term business requirements when taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. Future operations or exploration programs will require additional financing primarily through equity markets, or through joint venture partnerships.

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## **13. Supplemental Cash Flow Information**

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Non-cash investing activities:

Included in exploration and evaluation assets is \$63,065 (2018 - \$184,185) in accounts payable and accrued liabilities.

**September 30, 2019 and 2018**

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#### **14. Capital Management**

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The Company includes cash and cash equivalents and equity, comprising of issued common shares, equity component of convertible debenture, contributed surplus, and deficit, in the definition of capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods ended September 30, 2019 and 2018. The Company is not subject to externally imposed capital requirements.