



MONETA PORCUPINE MINES INC.

Consolidated Financial Statements

For the nine months ended September 30, 2019

**THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT AND
HAVE NOT BEEN REVIEWED BY THE COMPANY'S AUDITOR**



MONETA PORCUPINE MINES INC.
Consolidated Statements of Financial Position

As at	Notes	(Unaudited) September 30 2019 \$	(Audited) December 31 2018 \$
Current assets			
Cash and equivalents		5,337,865	1,974,176
Prepaid expenses		28,554	19,961
Receivables		15,436	15,000
Sales taxes recoverable		194,923	90,854
Interest receivable		5,683	2,702
Total current assets		5,582,461	2,102,693
Exploration and evaluation assets	5	2,098,396	2,057,346
Total assets		7,680,857	4,160,039
Current liabilities			
Accounts payable and accrued liabilities		270,202	211,373
Deferred premium on flow-through shares	3, 7	1,246,296	533,333
Total current liabilities		1,516,498	744,706
Going concern	1		
Contingent liabilities	9		
Shareholders' equity			
Capital stock	6	58,417,139	53,786,011
Contributed surplus		7,775,647	7,668,118
Deficit		(60,028,427)	(58,038,796)
Total shareholders' equity		6,164,359	3,415,333
Total liabilities and shareholders' equity		7,680,857	4,160,039

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



MONETA PORCUPINE MINES INC.

Consolidated Statements of Changes In Shareholders' Equity

	Notes	Capital Stock		Contributed Surplus	Other Accumulated Comprehensive		Shareholders' Equity
		Shares	\$		Deficit		
Balance as at December 31, 2018		266,830,482	53,786,011	7,668,118	-	(58,038,796)	3,415,333
Share issuance on private placement financing	6	44,375,000	6,204,546				6,204,546
Fair value of broker compensation warrants	6		(15,468)	15,468			-
Deferred premium on flow through shares	3, 6		(1,246,296)				(1,246,296)
Share issuance costs - cash	6		(311,654)				(311,654)
Share based compensation on vested options	6			92,061			92,061
Loss and comprehensive loss						(1,989,631)	(1,989,631)
Balance as at September 30, 2019		311,205,482	58,417,139	7,775,647	-	(60,028,427)	6,164,359
Balance as at December 31, 2017		239,047,148	50,511,577	7,687,722	-	(54,163,433)	4,035,866
Share issuance on private placement financing	6	20,000,000	3,000,000	-	-	-	3,000,000
Share issuance costs - cash	6	-	(180,000)	-	-	-	(180,000)
Share issuance on exercise of warrants	6	4,450,000	324,000	-	-	-	324,000
Fair value of warrants exercised	6	-	163,767	(163,767)	-	-	-
Share based compensation on vested options	6	-	-	64,053	-	-	64,053
Loss and comprehensive loss		-	-	-	-	(3,025,566)	(3,025,566)
Balance as at September 30, 2018		263,497,148	53,819,344	7,588,008	-	(57,188,999)	4,218,353

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



MONETA PORCUPINE MINES INC.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

Periods ended September 30,	Notes	Three months		Nine months	
		2019	2018	2019	2018
		\$	\$	\$	\$
Expenses					
Exploration and evaluation expenditures	5	538,270	642,638	2,138,992	2,652,489
Share based compensation	6, 8	47,160	18,707	92,061	64,053
Wages and benefits	8	50,000	49,800	155,659	155,412
General & administration		53,549	72,478	138,987	153,903
Legal & audit		31,689	37,905	79,419	69,400
		720,668	821,528	2,605,118	3,095,257
Other items					
Other income		(15,568)	(15,912)	(55,805)	(49,265)
Interest income		(12,623)	(9,931)	(26,349)	(20,426)
Loss before income taxes		692,477	795,685	2,522,964	3,025,566
Deferred taxes	7	-	-	(533,333)	-
Loss and comprehensive loss		692,477	795,685	1,989,631	3,025,566
Deficit - beginning of period		59,335,950	56,393,314	58,038,796	54,163,433
Deficit - end of period		60,028,427	57,188,999	60,028,427	57,188,999
Loss (earnings) per share (basic and diluted)		\$0.00	\$0.00	\$0.00	\$0.00
Weighted average outstanding shares		272,688,203	246,483,175	272,688,203	246,483,175

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



MONETA PORCUPINE MINES INC.
Consolidated Statements of Cash Flows

Nine months ended September 30,	2019	2018
	\$	\$
Operating activities		
Loss and comprehensive loss	(1,989,631)	(3,025,566)
Add: non-cash items		
Deferred premium on flow-through shares	3,7 (533,333)	-
Shared based compensation	6 92,061	64,053
Net change in non-cash working capital balances	(57,250)	(2,811,680)
Cash used in operating activities	(2,488,153)	(5,773,193)
Investing activities		
Exploration and evaluation assets	5 (41,050)	(41,775)
Cash used in investing activities	(41,050)	(41,775)
Financing activities		
Common shares issued on private placement, net of issue costs	6 5,892,892	2,820,000
Common shares issued on exercise of warrants	6 -	324,000
Cash provided from financing activities	5,892,892	3,144,000
Net increase (decrease) in cash and equivalents	3,363,689	(2,670,968)
Cash and equivalents, beginning of period	1,974,176	4,903,903
Cash and equivalents, end of period	5,337,865	2,232,935

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

1. Nature of operations and going concern

Nature of operations

Moneta Porcupine Mines Inc. ("Moneta" or the "Company") is a public company listed on the Toronto Stock Exchange (TSX: ME) (OTC: MPUCF) (XETRA: MOP) and incorporated under the laws of the Province of Ontario on October 14, 1910. Moneta is a mineral resource exploration and development company actively exploring for gold on its land package in the Timmins Camp in Timmins, Ontario (Canada). The Company's registered office is 65 Third Avenue, Timmins, Ontario, P4N 1C2. Moneta, a former gold producer, is currently an exploration stage company and has no properties in current production and no production revenues at the present time.

Going concern

These consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from September 30, 2019. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), and follow the same accounting policies and methods of application as the annual consolidated financial statements of the Company for the year ended December 31, 2018, except as noted below under changes in accounting policies. These interim consolidated financial statements should be read in conjunction with the 2018 annual consolidated financial statements and the notes thereto. The Company operates in one segment defined as the cash generating unit which is Canada. These interim consolidated financial statements were approved by the Board of Directors of the Company on November 11, 2019.

Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value, as set out in the accounting policies in note 3.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. Significant accounting policies

The principal accounting policies are set out below:

a) Basis of presentation and consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries: Wounded Bull Resources Inc. and 508825 Ontario Ltd. The subsidiaries are inactive with limited operations. The financial statements of subsidiaries are prepared for the same reporting years as the Company, using consistent accounting policies. All intercompany balances and transactions have been eliminated upon consolidation. The Company's presentation currency and functional currency is the Canadian Dollar.

b) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the Statements of Loss (Earnings) and Comprehensive Loss (Earnings), except for differences arising on the translation of available for sale equity instruments that are recorded in other accumulated comprehensive income.

The Company translates the assets and liabilities of its wholly-owned subsidiary, Wounded Bull Resources Inc., at the rate of exchange in effect at the reporting date. Income and expenses are translated at the rate of exchange prevailing at the date of the transaction. All resulting exchange differences are recognized in other comprehensive income and accumulated in a cumulative translation reserve under shareholders' equity.

(i) Financial assets***Classification and measurement***

The Company's business model and a financial instrument's contractual cash flows determine its classification and measurement in the financial statements. Upon initial recognition, each financial asset will be classified as follows:

- Fair value through profit or loss (FVTPL);
- Amortized cost; or
- Fair value through other comprehensive income (FVOCI).

Financial assets classified as amortized cost arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Cash, receivables, interest receivable, and sales taxes recoverable are classified as amortized cost.

At September 30, 2019, the Company does not have any financial assets classified as fair value through profit or loss or fair value through other comprehensive income.

Impairment

IFRS 9 requires an expected credit loss ("ECL") impairment model for all financial assets. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment.

The ECL model requires the recognition of credit losses based on up to 12 months of expected losses for receivables (Stage 1) and the recognition of lifetime expected losses on receivables that have experienced a significant increase in credit risk since origination (Stage 2), and that is for which there is objective evidence of impairment at the reporting date (Stage 3). As at September 30, 2019, there was no material ECL accrued.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the asset expire.

(ii) Financial liabilities***Classification and measurement***

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss (FVTPL); or
- Other financial liabilities.

Other financial liabilities are non-derivative financial liabilities that are not classified as fair value through profit or loss. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities are classified as other financial liabilities.

The Company does not have any financial liabilities classified as fair value through profit or loss.

Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

The fair value of cash, receivables, interest receivable, and sales taxes recoverable, accounts payable and accrued liabilities, are approximate their carrying amounts due to their short term maturities.

c) Cash and equivalents

Cash and equivalents include cash in bank and highly liquid investments which are cashable with an original term to maturity of 365 days or less.

d) Exploration and evaluation assets

Acquisition costs related to exploration properties are capitalized as exploration and evaluation assets at fair value at the time of purchase. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.

Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are to be capitalized as Property, Plant and Equipment. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

e) Impairment of long-lived assets

The Company reviews its long-lived assets within its cash generating units, consisting primarily of exploration and evaluation assets, at each reporting year end, for any indicators of impairment whenever events or changes in circumstances indicate that such carrying value may not be recoverable.

To determine whether a long-lived mining asset may be impaired, the recoverable amount is compared to the carrying value of the individual asset. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings). Where it is not possible to estimate the recoverable amount of a specific non-financial asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings). The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

f) Income taxes

Income taxes are recognized in Loss (Earnings), except where they relate to items recognized in other comprehensive income or directly in capital stock, in which case the related taxes are recognized in Comprehensive Loss (Earnings) or Capital Stock. Deferred income taxes are calculated using the balance sheet liability method for unused tax losses, unused tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates enacted or substantively enacted at the Statement of Financial Position date. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Share capital

Common shares issued by the Company are classified as capital stock. Incremental costs directly attributable to the issue of new common shares, such as share issue costs, are recognized under capital stock as a deduction from the share proceeds.

h) Flow-through shares

Under Canadian income tax legislation, the Company may issue flow through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A temporary non-cash deferred flow through premium 'liability' is recognized on the Statement of Financial Position. The liability is reversed upon renunciation of such qualifying expenditures to the flow through investors and reported as a reduction in deferred tax expense on the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

i) Share based payments**Stock options**

The fair value of stock options granted to directors, officers, and employees is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yield, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of these share based payments is recognized as a charge to the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) with a corresponding credit to shareholders' equity on the Statement of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each year. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the year.

Purchase warrants and broker compensation options

Purchase warrants are classified as capital stock and measured at fair value on the date of issue using the Black-Scholes option pricing model. Broker compensation options are classified as issuance costs and a deduction from capital stock and measured at fair value on the date of issue using the Black-Scholes option pricing model. The fair value of the purchase warrants and broker compensation options are not subsequently revalued.

j) Other income recognition

On January 1, 2018, the Company adopted *IFRS 15: Revenue from Contracts with Customers*. The adoption of this standard on a retrospective basis, within the scope of the Company's revenue recognition framework, did not have any impact on the Company's consolidated financial statements. The Company currently has no revenue from active mining operations. Royalty income is recognized in the year in which it is earned in accordance with the terms of the royalty agreement, with collection reasonably assured. Interest revenue is recognized in the year in which it is earned.

k) Other comprehensive loss (earnings)

Other comprehensive loss (earnings) is the change in net assets that results from transactions and events, not included in loss for the year and other than changes in the shareholders' equity. The Company's comprehensive loss (earnings), components of other comprehensive income, and cumulative translation adjustments on foreign currency gains or losses related to foreign operations, are presented in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) and the Statement of Changes in Shareholders' Equity.

l) Loss (earnings) per share

Basic loss (earnings) per share is computed by dividing net loss (earnings) available to common shareholders by the weighted average number of outstanding common shares for the year. In computing diluted loss (earnings) per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting years. In years where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

m) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4. Key sources of estimation uncertainty and judgement

In the application of the Company's accounting policies described in note 3, management is required to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors considered relevant, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the areas involving estimates made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

a) Share based payments

Management measures the fair value of granted stock options using the Black-Scholes option valuation model. The fair value of stock options using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

b) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale of the property, or where exploration activities are not adequately advanced to support a gold resource assessment.

The determination is an estimation process that requires varying degrees of uncertainty and these estimates directly impact the deferral of exploration and evaluation expenditures.

c) Impairment of long-lived assets

The carrying amounts of exploration and evaluation assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on a property by property basis. The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, future capital requirements, resource estimates, and exploration potential. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets.

d) Decommissioning and restoration provision

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the year in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Statement of Loss (Earnings), Comprehensive Loss (Earnings).

As the Company has not commenced construction and development of any mining operations, it does not have any provisions for decommissioning or restoration costs.

e) Contingent liabilities

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5. Exploration and evaluation assets

Acquisition costs	January 1, 2019	Additions	September 30, 2019
	\$	\$	\$
Golden Highway Project	1,700,943	6,427	1,707,370
North Tisdale	107,367	20,994	128,361
Kayorum	126,347	2,787	129,134
Nighthawk Lake	15,861	3,536	19,397
Denton Thorneloe and other	106,828	7,306	114,134
	2,057,346	41,050	2,098,396

Acquisition costs	January 1, 2018	Additions	December 31, 2018
	\$	\$	\$
Golden Highway Project	1,691,782	9,161	1,700,943
North Tisdale	89,721	17,646	107,367
Kayorum	96,401	29,946	126,347
Nighthawk Lake	12,116	3,745	15,861
Denton Thorneloe and other	91,265	15,563	106,828
	1,981,285	76,061	2,057,346

There were no property disposals and no indications of impairment of exploration and evaluation assets during the nine months ended September 30, 2019. Capitalized acquisition costs were \$2,098,396 at September 30, 2019 (December 31, 2018: \$2,057,346). Exploration and evaluation expenditures for the nine months ended September 30, 2019 of \$2,138,992 (September 30, 2018: \$2,652,489) were charged to the Statement of Loss and Comprehensive Loss.

6. Capital stock
Authorized share capital

The Company is authorized to issue an unlimited number of Class A Preferred shares, Class B Preferred shares, Common shares, and Non-voting shares. Class A Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Class B Preferred shares, Common shares and Non-voting shares. Class B Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Common shares and Non-voting shares. The Non-voting shares shall rank equally with Common shares in all respects except that the holders are not entitled to vote at shareholder meetings.

Capital stock transactions

In July 2019, the Company completed a non-brokered equity financing for \$3,204,546 upon the issuance of 24,204,545 common shares comprised of (a) 6,363,635 shares at a price of \$0.11 per share and (b) 9,090,910 shares at a price of \$0.16 per share and 8,750,000 shares at a price of \$0.12 per share, issued on a flow-through basis to be used to incur eligible Canadian exploration expenditures. A non-cash deferred premium on flow-through shares 'liability' of \$465,046 was reported representing the premiums of \$0.16 and \$0.12 received over the closing price of \$0.11 on the shares issued on a flow-through basis. A total of 1,452,273 broker compensation warrants, exercisable at \$0.16 and expiring in July 2021, were issued in connection with the financing. The estimated fair value, with a two year term was \$15,468 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.01 per broker compensation warrant. The underlying assumptions used in the estimation of the fair values were, as follows: risk free rate: 1.50%, term: 2 years, expected volatility: 37.7%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

In September 2019, the Company completed a non-brokered equity financing for \$3,000,000 upon the issuance of 20,170,455 common shares comprised of (a) 4,545,455 shares at a price of \$0.11 per share and (b) 15,625,000 shares

at a price of \$0.16 per share, issued on a flow-through basis to be used to incur eligible Canadian exploration expenditures. A non-cash deferred premium on flow-through shares 'liability' of \$781,250 was reported representing the premium of \$0.16 received over the closing price of \$0.11 on the shares issued on a flow-through basis.

The non-cash deferred premium on flow-through shares 'liability' of \$533,333, from the June 2018 and December 2018 financings, was transferred from the statement of financial position to a deferred tax credit on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit when the flow through expenditures were renounced, in the normal course, in Q1 2019.

Stock options

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers, employees, and consultants to acquire common shares of the Company. The maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Options granted have a maximum term of five years and vest immediately or over time at the discretion of the Board. The following table summarizes the outstanding stock options:

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Weighted Average Exercise	# Options	Weighted Average Exercise	# Options
Outstanding, beginning of period	\$0.20	16,600,000	\$0.22	15,075,000
Transactions during the period:				
Granted ⁽¹⁾	0.12	1,550,000	0.10	2,875,000
Expired ⁽²⁾	0.17	(900,000)	(0.23)	(1,350,000)
Outstanding, end of period	\$0.19	17,250,000	\$0.20	16,600,000
Weighted average remaining contractual life (years)	1.82		2.49	
Exercisable, end of period	\$0.20	16,900,000	\$0.20	14,668,750

⁽¹⁾ During Q3 2019, the Company granted 550,000 stock options to directors, officers and employees at an average exercise price of \$0.13. The estimated fair value, with a three year term and immediate vesting periods, was \$24,202 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.04 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 48.1%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

During Q1 2019, the Company granted 1,000,000 stock options to directors, officers and employees at an average exercise price of \$0.12. The estimated fair value, with a three year term and immediate vesting periods, was \$47,520 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.05 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 48.0%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

In 2018, the Company granted 2,375,000 stock options to directors, officers and employees at an average exercise price of \$0.08. The estimated fair value, with a three year term and immediate and two year quarterly vesting periods, was \$57,040 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.03 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 43.6%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

In 2018, the Company also granted 500,000 stock options to employees at an average exercise price of \$0.17. The estimated fair value, with a three year term and two year quarterly vesting period, was \$16,395 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.03 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 48.8%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

⁽²⁾ During 2019, 900,000 stock options at an average exercise price of \$0.17 expired unexercised. During 2018, 1,350,000 stock options at an average exercise price of \$0.23 expired unexercised.

Warrants

	Exercise Price	Expiry Date	Nine months ended September 30, 2019 #	Year ended December 31, 2018 #
Outstanding, beginning of period:				
Purchase Warrants	\$0.07	May 2018	-	3,200,000
Purchase Warrants	\$0.08	May 2018	-	1,250,000
Purchase Warrants	\$0.42	Sep 2018	-	19,929,766
			-	24,379,766
Issued during the period:				
Broker compensation ⁽¹⁾	\$0.16	July 2021	1,452,273	-
			1,452,273	-
Exercised during the period:				
Purchase Warrants ⁽²⁾	\$0.07	May 2018	-	(3,200,000)
Purchase Warrants ⁽²⁾	\$0.08	May 2018	-	(1,250,000)
			-	(4,450,000)
Expired during the period:				
Purchase Warrants ⁽³⁾	\$0.42	Sep 2018	-	(19,929,766)
			-	(19,929,766)
Outstanding, end of period:			1,452,273	-

⁽¹⁾ In July 2019, 1,452,273 broker compensation warrants, exercisable at \$0.16 and expiring in July 2021, were issued in connection with the \$3,204,546 equity financing completed in the same period.

⁽²⁾ In May 2018, 3,200,000 purchase warrants, exercisable at \$0.07, were exercised and 1,250,000 purchase warrants, exercisable at \$0.08, were exercised, for aggregate gross proceeds of \$324,000.

⁽³⁾ In September 2018, 19,929,766 purchase warrants, exercisable at \$0.42, expired unexercised.

7. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rates for the nine months ended September 30, 2019 (26.5%) and 2018 (26.5%), has been reconciled as follows:

	Nine months ended September 30, 2019 \$	Year ended December 31, 2018 \$
Income tax recovery at statutory rates	183,506	1,026,971
Increase (decrease) related to:		
Flow-through expenditures	(142,642)	(868,752)
Shared based compensation	12,497	(38,203)
Other	38,520	33,602
	91,882	153,617
Valuation allowance	(91,882)	(153,617)
Add: Deferred premium on flow through shares	533,333	-
Deferred taxes (recovery)	533,333	-

The Company's deferred tax assets and liabilities are comprised of the following:

	Nine months ended September 30, 2019 \$	Year ended December 31, 2018 \$
Deferred tax assets:		
Net operating loss carry forwards	2,173,000	2,173,000
Net capital loss carry forwards	527,000	527,000
Resource deductions	3,719,000	3,710,000
Other	197,000	153,000
	6,616,000	6,563,000
Less: Valuation allowance	(6,616,000)	(6,563,000)
	-	-

The Company has recorded a valuation allowance as the Company does not consider it more likely than not that the deferred tax assets will be realized in the foreseeable future.

The Company has non-capital losses of \$8,092,000 (2018: \$8,092,000) available for deduction against future taxable income, the balances of which will expire as follows:

Year of expiry	Nine months ended September 30, 2019 \$	Year ended December 31, 2018 \$
2026	307,000	307,000
2027	317,000	317,000
2028	652,000	652,000
2029	618,000	618,000
2030	745,000	745,000
2031	940,000	940,000
2032	1,289,000	1,289,000
2033	759,000	759,000
2034	576,000	576,000
2035	453,000	453,000
2036	527,000	527,000
2037	438,000	438,000
2038	471,000	471,000
	8,092,000	8,092,000

The potential tax benefit of the above losses has not been recognized in these financial statements. The Company has \$3,974,113 (2018: \$3,974,113) in capital losses available to apply against future capital gains.

8. Related party transactions

The Company paid a salary of \$50,000 in Q3 2019 (Q3 2018: \$50,000) (YTD 2019: \$150,000 / YTD 2018: \$150,000) to an officer and director for CEO and Chief Geologist services provided to the Company under an ongoing employment agreement. In Q1 2019, a total of 1,000,000 (YTD 2018: Nil) stock options were issued to the CEO and Chief Geologist. The Company paid a salary of \$50,000 in Q3 2019 (Q3 2018: \$50,000) (YTD 2019: \$150,000 / YTD 2018: \$150,000) to an officer and director for the nine months ended September 30, 2019 for President and CFO and other services provided to the Company under an ongoing employment agreement. There were no cash director fees during the period (YTD 2018: \$NIL). There were no loans to directors or officers during the period (YTD 2018: \$NIL). All related party transactions were completed in the normal course of business.

9. Contingent liabilities

Civil lawsuits

Two parties that own the surface rights and previously occupied and now condemned buildings, on the historic Moneta Mine site located on the Company's Kayorum project, initiated civil suits in the Ontario Superior Court of Justice in April 2005 against the Company, directors of the Company at that time, and other third parties. The suits are related to the 2004 subsidence of the main stope at the historic Moneta Mine.

In 2018, one of the two civil suits was dismissed, without costs, at the request of plaintiff's counsel.

The Company believes the one remaining claim has no merit and intends to defend it vigorously. Accordingly, no provision has been made in these financial statements.

10. Capital management

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019. As at September 30, 2019, the Company had a net working capital of \$5,312,259, excluding the non-cash 'deferred premium on flow through share liability' of \$1,246,296 (December 31, 2018: working capital \$1,891,320, excluding the non-cash 'deferred premium on flow through share liability' of \$533,333).

The Company held cash in bank at September 30, 2019 of \$5,337,865. The Company held cash and equivalents of \$1,974,176 at December 31, 2018 comprised of cash in bank and short term investments in redeemable guaranteed investment certificates with interest rates ranging between 0.90% - 0.95% and maturing within a twelve month timeframe.

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

11. Financial instruments and risk management

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall exploration and development strategy, diversifying risk, mitigation through preventive controls, and transferring risk to third parties.

Fair value

The carrying values for primary financial instruments, including cash and equivalents, receivables, sales taxes recoverable, interest receivable, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions. There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the period. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in four specific areas: the credit risk on operating balances including sales taxes recoverable, royalty income and other receivables, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets. No provision against these credit risk areas has been recognized in these financial statements.

The aggregate gross credit risk exposure at September 30, 2019 was \$5,553,907 (December 31, 2018: \$2,082,732), and was comprised of \$5,337,865 (December 31, 2018: \$1,974,176) in cash held with Canadian financial institutions with an "AA-" credit rating, \$15,436 (December 31, 2018: \$15,000) in receivables, \$194,923 (December 31, 2018: \$90,854) in sales taxes recoverable, and \$5,683 (December 31, 2018: \$2,702) in interest receivable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. This risk is not applicable as the Company is not currently in commercial gold production. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.