



**MONETA PORCUPINE MINES INC.**

Management Discussion and Analysis

For the nine months ended September 30, 2020

This Management Discussion and Analysis (“**MD&A**”) provides a discussion and analysis of the financial condition and results of operations of Moneta Porcupine Mines Inc. (“**Moneta**” or the “**Company**”) to enable a reader to assess material changes in the financial condition and results of operations of the Company as at and for the nine months ended September 30, 2020 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the nine months ended September 30, 2020. All amounts included in this MD&A are in Canadian Dollars.

The 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, 2019, except as noted below under changes in accounting policies. The interim consolidated financial statements should be read in conjunction with the 2019 annual consolidated financial statements and the notes thereto. The Company operates in one segment defined as the cash generating unit which is Canada. This MD&A has an effective date of November 09, 2020, the date this MD&A was reviewed by the Audit Committee and approved by the Board of Directors.

Additional information related to the Company is available in Moneta’s Annual Information Form dated March 30, 2020 for the year ended December 31, 2019 (“**AIF**”). The AIF and other continuous disclosure documents, including the Company’s press releases and quarterly reports are available through its filings with the securities regulatory authorities in Canada at [www.sedar.com](http://www.sedar.com) and the Company’s website at [www.monetaporcupine.com](http://www.monetaporcupine.com).

The MD&A is presented in the following sections:

Page 1	Forward-Looking/Safe Harbour Statement and Fair Disclosure Statement
Page 2	Outlook, Corporate Overview
Page 4	Overall Performance
Page 13	Financial Review Consolidated Operating Results, Consolidated Financial Position, Liquidity and Capital Resources
Page 16	Off-Balance Arrangements, Transactions with Related Parties
Page 17	Disclosure Controls and Procedures and Internal Controls over Financial Reporting, Critical Accounting Estimates
Page 19	Changes in Accounting Policies, Recent Accounting Pronouncements
Page 19	Financial Instruments and Other Instruments
Page 20	Contingent Liabilities, Outstanding Share Data
Page 21	COVID 19 Impact, Subsequent Events

### **FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT**

This MD&A may contain certain forward looking statements concerning the future performance of Moneta’s business, its operations and its financial performance and condition, as well as management’s objectives, strategies, beliefs and intentions. These forward-looking statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management’s expectations. Forward-looking statements include estimates and statements that describe the Company’s future plans, objectives or goals, its ability to access capital, the speculative nature of mineral exploration and development, fluctuating commodity prices, competitive risks and reliance on key personnel, and include words to the effect that the Company or management expects a stated condition or result to occur. This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements. Statements relating to estimates of reserves and resources are also forward-looking statements as they involve risks and assumptions, including but not limited to assumptions with respect to future commodity prices and production economics, that the reserves and resources described exist in the quantities and grades estimated and are capable of economic extraction. Forward-looking statements may be identified by such terms as “believes”, “anticipates”, “expects”, “estimates”, “may”, “could”, “would”, “will”, or “plan”. All forward-looking information is inherently uncertain and subject to risks, uncertainties, and a variety of assumptions to address future events and conditions. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

## OUTLOOK

Moneta completed the Preliminary Economic Assessment (“PEA”) study of the South West deposit, examining various development options including construction of a stand-alone processing facility by Moneta and toll milling of the ore at a third-party facility. The base case stand-alone option produced an after-tax Net Present Value (“NPV”) of C\$236 million using a 5% discount rate, an after-tax Internal Rate of Return (“IRR”) of 30% and a capital payback period of 3.4 years, generating C\$371 million life of mine (“LOM”) after-tax free cash flow over an 11 year mine life. The study envisaged underground mining producing up to 85,700 ounces per annum for a total of 719,000 ounces LOM at a cash cost of US\$590 per ounce, with initial capital of C\$144 million and LOM sustaining capital of C\$136 million. The updated underground mineral resource estimate completed as part of the PEA for the Golden Highway project increased to a total of 676,900 ounces gold contained within 5.11 Mt @ 4.12 g/t Au in the indicated category and 1,386,600 ounces gold contained within 10.78 Mt @ 4.00 g/t Au in the inferred category at a 2.60 g/t Au cut-off grade at South West and 3.00 g/t Au cut-off grade for the other deposits using a US\$1,250/oz gold price. The PEA study was completed by Micon International Ltd. The primary focus of Moneta over the coming year for the Golden Highway Project will be the continued expansion of the Company’s gold resource base.

All data and material required for a new NI 43-101 mineral resource update of the Windjammer South, 55, Discovery and the new Westaway (including West Block) areas was compiled and submitted to Micon International Ltd during the quarter. The updated mineral resource will incorporate the drilling data from the winter 2019/2020 drill program which was successful in confirming continuous gold mineralization along a 4 km strike length from Windjammer South in the east to the 55 deposit in the west and is due to be completed by the end of the year. The current resources occur over a combined strike length of 2 km.

Drill rigs have been mobilized to commence the winter 2020/2021 drill program with additional drill rigs due to be added during the fourth quarter of 2020. The initial drill program of 20,000 m has commenced and is testing new targets in the Halfway, Halfway Lake, Twin Creeks and Discovery areas. Additional drilling will be completed on the extensions of the new updated resource, notably in the Westaway area which remains open. The drill program will also test the extensions of the South Basin discovery, as well as new discoveries returning positive drill results. Moneta is fully funded to complete all the planned 2020 and 2021 work.

With the outbreak of the novel COVID-19 pandemic, Moneta has continued to monitor and follow all guidance from the relevant authorities. The safety and health of our employees is paramount and the appropriate steps have been taken to ensure the safe isolation of employees. The resulting cut-back in activities could potentially result in the delay in delivery of projects. Moneta will continue to monitor the situation and take the necessary steps as required as more strict isolation guidelines were recently re-established in some regions,

## CORPORATE OVERVIEW

Moneta Porcupine Mines Inc. (“**Moneta**” or the “**Company**”) is a mineral resource exploration and development company incorporated pursuant to the laws of the Province of Ontario on October 14, 1910. The Company is a former gold producer but has no properties currently in production and no production revenues at the present time.

Moneta is a “reporting issuer” in the Canadian provinces of Ontario, Alberta and Quebec. The Company’s common shares trade on the Toronto Stock Exchange (“**TSX**”) under the symbol ME, on the United States OTC market under the symbol MPUCF, and the Berlin Stock Exchange, the Xetra, and Frankfurt Stock Exchange under the symbol MOP.

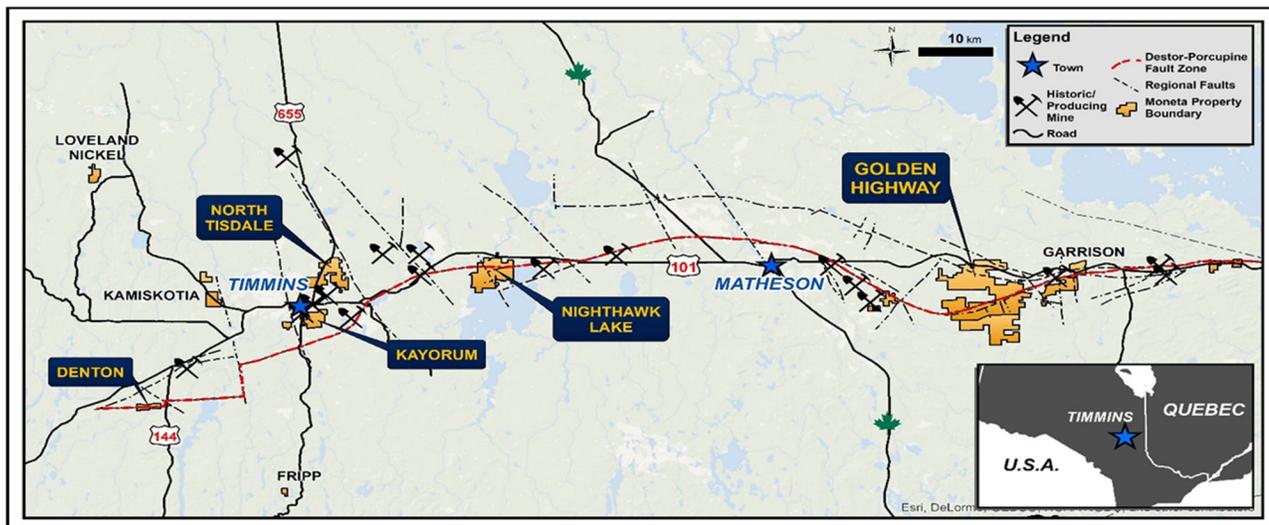
Moneta has interests in 967 single and 326 boundary cell claims for a total area of approximately 61,760 hectares in the form of mining patents, leases and staked claims. Most of the Company’s landholdings are not subject to any royalty or

encumbrances other than minor royalties to third parties on a limited number of claims primarily outside the Golden Highway Project resource and distal to target areas.

Moneta holds a 100% interest in 6 core gold projects and a 50% JV with Kirkland Lake Gold strategically located on or along the Destor Porcupine Fault Zone corridor (“Destor”), one of the key mineralized structures in the Abitibi Greenstone belt in Ontario, with excellent infrastructure including access roads, water, electricity, and mills. There are no royalties or encumbrances on any of the resource areas held by Moneta. Most gold mineralization in the region is associated with the Destor, including significant resources and producing mines now operated by Porcupine Gold Mines (Newmont) and several others such as Pan American Silver Corporation, McEwen Mining and Kirkland Lake Gold. The Golden Highway Camp has experienced rapid advancement of gold resources by Moneta and others including O3 Mining, reflecting the strong regional gold potential.

The Porcupine Camp and Golden Highway Camp (here collectively referred to as “**Timmins Camp**”) is the most prolific gold producing belt in Canada and is one of the most prolific gold-producing areas in the world with over 85 million ounces of gold produced to date, including that from some 26 mines, each of which generated more than 100,000 ounces.

Moneta’s land position for gold exploration is one of the largest in the Timmins Camp including a commanding position in the emerging Golden Highway Camp as well as an established position in the Porcupine Camp, with a current significant underground 43-101 mineral resource estimate dated 09 September 2020 comprised of 676,900 ounces gold contained within 5.11 Mt @ 4.12 g/t Au in the indicated category and a total of 1,386,600 ounces gold contained within 10.78 Mt @ 4.00 g/t Au in the inferred category at a 2.60 g/t Au at South West and 3.00 g/t Au cut-off for the other deposits (See Micon International Ltd, NI 43-101 report dated 21 October 2020) established in the Golden Highway Project area.



**Figure I: Moneta’s Key Gold Exploration Properties**

Moneta’s recent primary gold exploration and resource development focus has been the *Golden Highway Project* centred in Michaud Township 100 km east of Timmins, Ontario along Highway 101, a major all-season route. Moneta has a largely contiguous land package of 740 single and boundary mining cell claims (post 2018 MNDM update) or approximately 10,680 hectares with an updated NI 43-101 mineral resource estimate (September 2020) containing 0.68 million ounces of gold in the indicated category and 1.39 million ounces of gold in the inferred category.

The Golden Highway Project captures 12 kms of the Destor Porcupine Fault Zone Corridor (“Destor”) with 4 major splays of the regional structure present. The project currently hosts a NI 43-101 resource, covering only 2 km of the corridor and found primarily within sedimentary host rocks along one splay of the Destor. Resource growth potential exists along the remaining 10 km of largely sediment hosted mineralization along the regional BIF contact, on other splays and within untested mafic volcanic rocks along the Destor in contact with ultramafic units, where limited historical drilling has confirmed gold mineralization. The main unconformities which occur as the mafic volcanic-sediment contacts on the northern and southern contacts of the sedimentary basin also remains largely untested. Moneta also has a 50% stake in the Garrison JV with Kirkland Lake Gold in the Golden Highway Camp.

Moneta continues to maintain a large land holding in *Porcupine Gold Camp* which includes the gold properties of North Tisdale, Nighthawk Lake, Kayorum, DeSantis East (Ogden) and Denton. Additional properties with strategic value are historical base metal projects and include Loveland Nickel (Ni), Kamiskotia (Cu/Zn), and Fripp (Cu).

## OVERALL PERFORMANCE

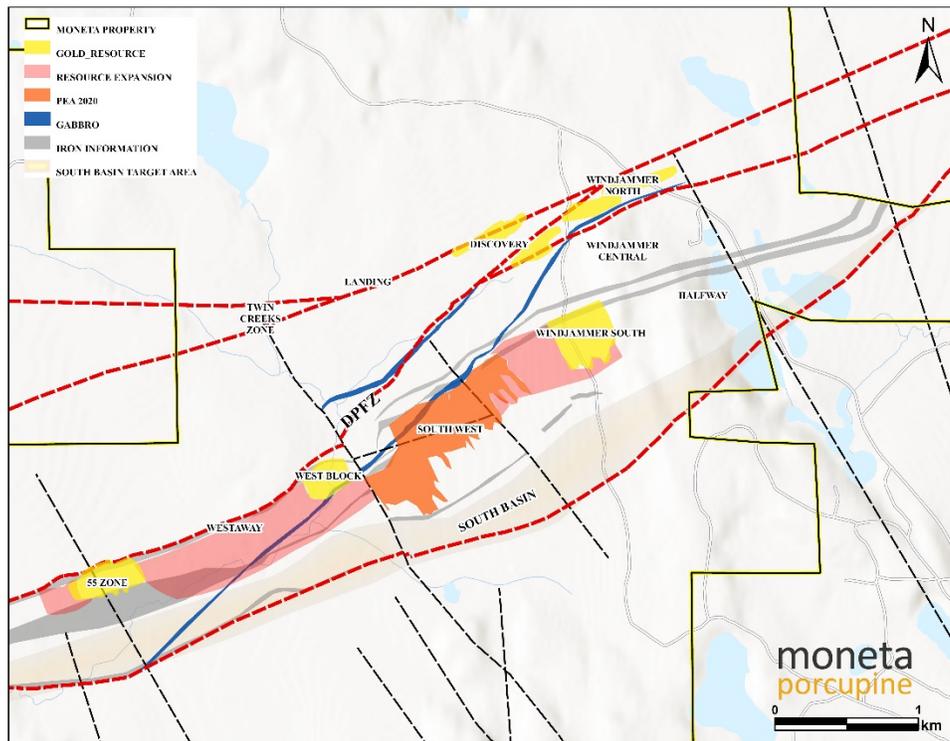
### GOLDEN HIGHWAY CAMP

#### Summary

In September 2020, Moneta completed an updated Preliminary Economic Assessment “PEA” and mineral resource estimate update on the South West deposit within the Golden Highway project (*Press release ME-PR-20-2020 dated 09 September 2020*). The PEA study highlighted a base case stand-alone development scenario resulting in an after-tax Net Present Value (“NPV”) of C\$236 million (“MM”) at a 5% discount rate, an Internal Rate of Return (“IRR”) of 30% and a 3.4 year payback of capital, generating C\$371MM life of mine (“LOM”) after-tax free cash flow. The study envisaged underground mining producing 76,000 ounces per annum (“oz/pa”) on average at a cash cost of US\$590 per ounce (“oz”) and all-in sustaining costs of US\$747/oz, with total initial capital of C\$144MM and LOM sustaining capital of C\$136MM, over an 11 year mine life. The updated underground mineral resource estimate for the Golden Highway project increased to 676,900 ounces gold contained within 5.11 Mt @ 4.12 g/t Au in the indicated category and a total of 1,386,600 ounces gold contained within 10.78 Mt @ 4.00 g/t Au in the inferred category at a 2.60 g/t Au cut-off grade at South West and 3.00 g/t Au cut-off grade for the other deposits using a US\$1,250/oz gold price (*Micon International Ltd, NI 43-101 report dated 21 October 2020*). The PEA study and resource update on the South West deposit were completed by Micon International Ltd (“Micon”).

During the quarter Moneta commenced a drill program consisting of more than 20,000 m to test for new gold mineralized targets in the Halfway, Halfway Lake and East Fold targets over the winter of 2020/2021. Drill rigs were mobilized in October 2020. The drill program will also test the new South Basin and Twin Creeks targets as well as the resource expansion potential at Westaway (including West Block) and Discovery deposits.

Moneta completed the geological modelling, wireframe development and database compilation of drill results from the 18,159.0 m completed in the 2019/2020 winter drilling program in 36 holes in preparation of an updated resource estimate due to be completed by Micon during the fourth quarter of 2020. The mineral resource estimate update will be completed on the Windjammer South, 55 Zone, Discovery and new Westaway (including West Block) areas.



**Figure 2: Golden Highway Project; Deposit Areas**

South West Deposit

Preliminary Economic Assessment

Summary

During the past quarter Micon completed a Preliminary Economic Assessment (“PEA”) study on the development options and potential for the South West deposit, located on the Golden Highway project, including an update mineral resource estimate for the South West deposit. The updated South West mineral resource estimate contains an indicated resource of 4.53 Mt @ 4.07 g/t Au for 0.59Moz of contained gold and an inferred resource of 9.61 Mt @ 4.01 g/t Au for 1.24Moz of contained gold, at a cut-off grade of 2.60 g/t Au assuming underground extraction (*Press release ME-PR-20-2019 dated 09 September 2020*).

The PEA studied a base case option of Moneta constructing its’ own processing plant on the Golden Highway Project, using underground extraction of the South West resources utilizing ramp access with longitudinal long hole stoping mining methods. The mine plan assumed a mining rate of 1,750 tonnes per day “tpd” and crushing and grinding of ore at a processing facility built and operated by Moneta using conventional cyanide leach extraction with carbon adsorption/desorption and electrowinning of gold after gravity recovery of coarse gold. The PEA showed the potential to produce up to 85,700 ounces per annum for a total of 719,000 ounces LOM at a cash cost of US\$590/oz and all-in sustaining costs of US\$747/oz with total initial capital of C\$144 million, repaid over 3.4 years, and LOM sustaining capital of C\$136MM. The study showed that the project could generate an after-tax NPV of C\$236 million and after-tax IRR of 30% at US\$1,500/oz gold at a 5% discount rate. The South West deposit development would generate C\$371 million after tax cash flow over the life of mine, averaging C\$49MM annual after-tax free cash flow.

At a gold price of US\$1,500/oz and an exchange rate of C\$0.77 to US\$1.00 the technical inputs and financial assumptions are summarized in Table 1.

**Table 1: South West PEA; Technical Inputs and Financial Assumption Summary**

<b>Economics</b>		<b>Pre-Tax</b>	<b>Post-Tax</b>
Net present value (NPV5%)	<i>C\$ million</i>	\$368.2	\$236.4
Internal rate of return (IRR)	<i>%</i>	39.2 %	29.7 %
Payback Period (undiscounted)	<i>years</i>	2.9 years	3.4 years
LOM avg. annual cash flow	<i>C\$ million</i>	\$66.9	\$ 48.6
LOM cumulative cash flow (undiscounted)	<i>C\$ million</i>	\$556.3	\$371.3
LOM Average cash costs	<i>US\$ per ounce</i>	US\$590	
LOM Average AISC – All in Sustaining Costs	<i>US\$ per ounce</i>	US\$747	
LOM Average AIC – All in Costs	<i>US\$ per ounce</i>	US\$902	
Initial Capital Costs	<i>C\$ Million</i>	C\$144.2	
Sustaining Capital Costs (LOM)	<i>C\$ Million</i>	C\$135.7	
Profitability Index	<i>NPV/Initial Capital</i>	1.64	
Peak Investment	<i>C\$ million</i>	C\$114.3	
Gold price assumption	<i>US\$ per ounce</i>	US\$1,500	
Exchange rate	<i>US\$/C\$</i>	0.77	
Royalty	<i>per ounce</i>	nil	
Mine life	<i>years</i>	11	
Mill Head Grade (diluted) and Recovery	<i>g/t Au, %</i>	3.93 g/t Au, 94.2%	
Average annual mining rate	<i>tonnes/day (tpd)</i>	1,750tpd	
Average annual gold production	<i>thousand ounces/yr</i>	76Koz/pa	
Total LOM recovered gold	<i>thousand ounces</i>	719.2koz	

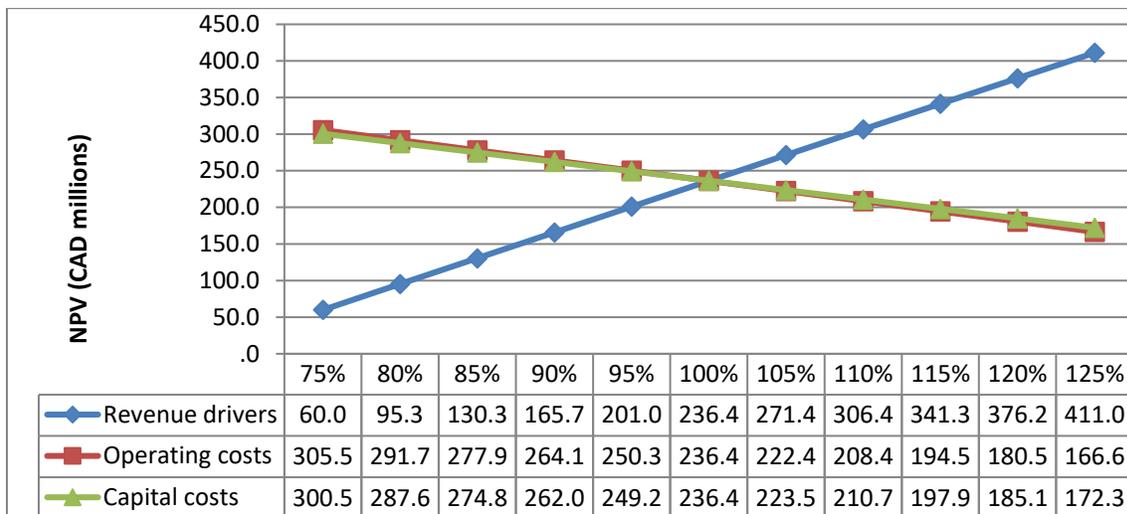
*Gold Price Sensitivities*

Table 2 demonstrates the post-tax sensitivities of NPV and IRR to gold price per ounce. The base case, highlighted in the table below, assumes US\$1,500 per ounce of gold and an exchange rate of 0.77 (US\$/C\$).

The Project economics are most sensitive to revenue drivers (gold prices, gold grade and recovery). Operating and capital cost sensitivities are similar and are presented in Figure 3.

**Table 2: South West PEA; Gold Sensitivities**

<b>Economic Sensitivities to Gold Prices (post-tax)</b>		
<i>Per ounce of gold</i>	<b>(NPV5%) million</b>	<b>IRR%</b>
US\$1,200	C\$95.2	15.5 %
US\$1,300	C\$142.2	20.4 %
US\$1,400	C\$189.2	25.1 %
<b>US\$1,500</b>	<b>C\$236.4</b>	<b>29.7 %</b>
US\$1,600	C\$283.2	34.2 %
US\$1,700	C\$329.8	38.6 %
US\$1,800	C\$376.3	42.9 %
US\$1,900	C\$422.9	47.3 %
US\$2,000	C\$469.4	51.6 %



**Figure 3: South West PEA; Sensitivities Chart**

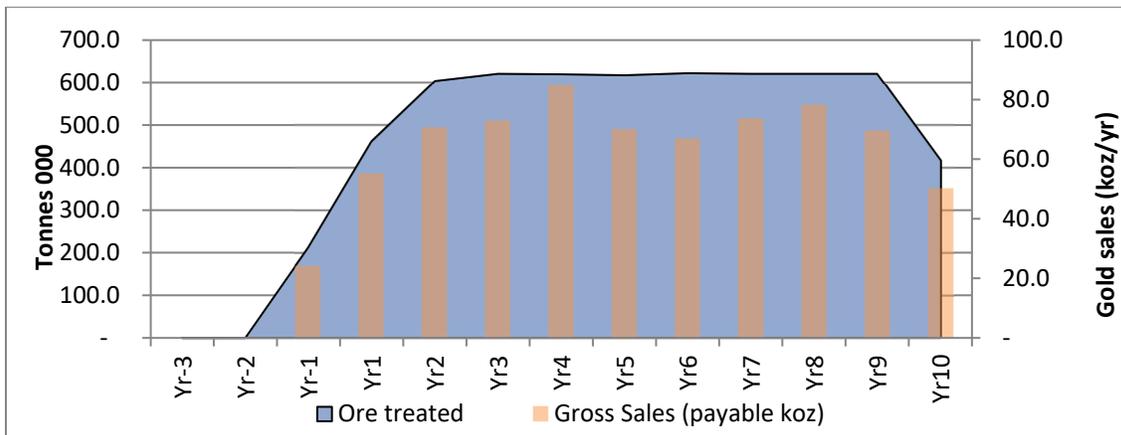
*Mine Production Schedule*

The PEA at South West considered underground mining utilizing ramp access with longitudinal long hole stoping extraction methods. The initial development of access ramp is to be performed by contractors with mine development and ore production transitioning to 100% owner owned operations in year 2. Two years have been scheduled for the ramp-up of production with the full production rate of 1,750 tpd being achieved in year 3. Full production continues for 9 years for a total of 11 years mine life with average gold production of 75,700 ounces per year during full production, peaking in year 5 with 85,700 ounces of gold produced.

A minimum mining width of 3.00 m is used for the longitudinal long hole stoping mining planned, with 20 m between sub-levels and 15 m long stopes planned. The average width of stopes is approximately 8.0 m. Dilution of 0.5 m on both the footwall and hanging wall of stopes is added with no assumed grade, resulting in 33% dilution at the minimum widths.

**Table 3: South West PEA; Mine Production**

Year	-1	1	2	3	4	5	6	7	8	9	10	Totals
Tonnes (t)	213	462	603	621	620	617	622	621	621	621	417	6,035
Grade (g/t)	3.93	4.05	3.91	3.90	4.57	3.73	3.56	3.95	4.19	3.70	3.77	3.93
Contained Au	26.8	60.1	75.9	77.8	91.0	73.9	71.2	78.8	83.6	73.7	50.4	763.5
Recovery (%)	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%	94.2%
Recovered Au	25.3	56.6	71.5	73.3	85.7	69.7	67.1	74.3	78.8	69.4	47.5	719.2



**Figure 4: South West PEA: Annual Production Chart**

**Table 4: South West PEA; Mine Production Technical Details**

<b>Mine Plan Summary</b>		
Mine Life	Years	11
Including Ramp-up	Years	2
Mining rate	tpd	1,750
Height between sub-levels	m	20.00
Minimum mining width	m	3.00
Length of stopes	m	15.00
Dilution	m	0.5 / 0.5
Average width of stopes	m	~8.00
Dilution grade	g/t Au	0.00
Cut-off grade	g/t Au	2.60
Total mill-feed mined	Million tonnes	6.035
Diluted Grade	g/t Au	3.93
Contained Ounces	Thousand ounces	763.49
Recovered ounces	Thousand ounces	719.21

*Capital Costs*

For the South West PEA, initial capital costs include a 15% contingency on direct and indirect costs. The initial capital costs also include owner’s costs, EPCM costs, first fills, insurance and indirect costs. Sustaining costs include a 10% contingency on underground development costs.

Trade-off studies were evaluated to include “lease-to-purchase” options for mining equipment. The lease to purchase equipment does result in lower initial capital and higher IRR’s but returned lower NPV valuations and higher cash costs of production. The lease to purchase remains an attractive development option to reduce initial capital costs.

**Table 6: South West PEA; Mine Production Technical Details**

<b>Capital Costs</b>	
<b>Cost Centre</b>	<b>C\$MM</b>
Mining Equipment	6.05
Auxiliary	43.64
Processing	40.39
Infrastructure	21.50
In-directs	15.68
Contingency	16.91
<b>Total Initial Capital</b>	<b>144.16</b>
Sustaining Capital (LOM)	135.72
Closure	10.00
<b>Total Capital Costs</b>	<b>289.88</b>

*Infrastructure*

The Golden Highway project, in which the South West deposit is located, is located 100 km east of Timmins, Ontario adjacent to a major sealed highway, Highway 101. A 5 km access road from the highway affords access to the proposed portal site. Electrical power grids occur within 4 km of the proposed site and carry sufficient power to supply other mining operations in the area. Water is locally available, as is building aggregate.

The proposed base case development option involves the construction of an ore stockpile pad, a 1,750 tpd processing plant with sufficient crushing, grinding and leach capacity to process the ore and recover gold into doré bars. For this option a tailings dam with capacity of approximately 6.0 million tonnes is required to be constructed at site. No camp is required due to the proximity of population centres with mine contracting and technical expertise.

*Alternative Development Option: Toll Milling*

The PEA also reviewed the option to process the mined resource at South West utilizing an existing processing plant in the Timmins mining camp. This scenario assumed the same mine plan and production rate with trucking to an existing processing plant and payment of a toll milling rate for the processing of ore and recovery of gold. Primary crushing is included in the costs and no gravity gold recovery circuit is assumed to be used in this option resulting in an average life of mine gold recovery rate of 92.2%. The same underground development capital costs are used as well as the same mine

development infrastructure, but no processing plant and no tailings storage facility is assumed in the development plan. The toll treating options would allow for a faster development time with fewer permitting requirements, less construction time and lower initial capital requirements to develop the toll milling option. This option resulted in significantly higher after-tax IRR of 44%, a lower initial capital costs of \$65MM and a shorter pay-back period of 3.1 years.

**Table 7: South West PEA: Toll Milling Development Option; Technical and Financial Assumptions Summary**

<b>Economics</b>		<b>Pre-Tax</b>	<b>Post-Tax</b>
Net present value (NPV5%)	<i>C\$ million</i>	\$306.2	\$196.9
Internal rate of return (IRR)	<i>%</i>	63.9 %	43.8 %
Payback Period (Undiscounted)	<i>years</i>	2.2 years	3.1 years
LOM avg. annual cash flow	<i>C\$ million</i>	\$47.8	\$ 33.4
LOM cumulative cash flow (undiscounted)	<i>C\$ million</i>	\$446.9	\$296.2
LOM Average cash costs	<i>US\$ per ounce</i>	US\$796	
LOM Average AISC – All in Sustaining Costs	<i>US\$ per ounce</i>	US\$938	
LOM Average AIC – All in Costs	<i>US\$ per ounce</i>	US\$1009	
Initial Capital Costs	<i>C\$ Million</i>	C\$64.5	
Sustaining Capital Costs (LOM)	<i>C\$ Million</i>	C\$127.4	
Profitability Index	<i>NPV/Initial Capital</i>	3.05	
Peak Investment	<i>C\$ million</i>	38.9	
Gold price assumption	<i>US\$ per ounce</i>	US\$1,500	
Exchange Rate	<i>US\$/C\$</i>	0.77	
Mine Life	<i>years</i>	11	
Mill Grade (diluted) and Recovery	<i>g/t Au, %</i>	3.93 g/t Au, 92.2%	
Average annual mining rate	<i>tonnes/day (tpd)</i>	1,750 tpd	
Average annual gold production	<i>thousand ounces/yr</i>	74Koz/yr	
Total LOM recovered gold	<i>million ounces</i>	704Koz	

**Table 8: South West PEA: Toll Milling Development Option; Gold Price Sensitivities**

<b>Economic Sensitivities to Gold Prices (post-tax)</b>		
<i>Per ounce of gold</i>	<i>(NPV5%) million</i>	<i>IRR%</i>
US\$1,300	C\$105.7	25.8 %
US\$1,500	C\$196.9	43.8 %
US\$1,700	C\$288.1	63.3 %
US\$1,900	C\$379.3	84.5 %

**Table 9: South West PEA: Toll Milling Development Option; Operating Costs**

<b>Operating Costs</b>		
<b>Cost Centre</b>	<b>LOM (C\$MM)</b>	<b>(C\$/t)</b>
Mining	\$393.24	\$65.16
Processing	\$289.68	\$48.00
G&A	\$35.77	\$5.93
Total	\$718.70	\$119.09

The NI 43-101 technical report covering the PEA, dated 21 October 2020, compiled by Micon International Ltd was posted on “sedar” and the company website on 22 October 2020.

Golden Highway Project

*Exploration Drill Program*

One drill rig was mobilized to the Halfway target (figure 2) and had commenced drilling by the end of the quarter to commence the winter 2020/2021 drill program. The initial program is planned to consist of 20,000 m with additional metres assigned for follow-up of positive results and resource extension drilling as required. Drilling at Halfway is designed to test the size potential of gold mineralization previously confirmed in drilling with historical hole MWJ11-43 intersecting 3.25 m @ 8.87 g/t Au, including 2.30 m @ 11.74 g/t Au. And drill hole MGH19-123 completed in 2019 intersected 1.80 m @ 7.48 g/t Au, including 0.77 m @ 15.50 g/t Au and 1.28 m @ 7.79 g/t Au (see press release ME PR 19-2019, dated December 11, 2019).

A second drill rig is being mobilized and is due to commence drilling. The initial program will drill test exploration targets at the Halfway Lake, East Fold, Discovery, Twin Creeks and South Basin targets followed by drill testing of the extensions of the Westaway and West Block resource areas.

Golden Highway Resource

Micon International Limited (Micon) undertook an independent technical review of the mineral exploration completed on the Golden Highway Project by Moneta and updated the mineral resource estimate for several of the deposits located on the property in January 2019 and detailed in an updated NI 43-101 technical report dated 29 February 2019. In November 2019 Micon updated the mineral resource estimate for the South West Deposit portion of the Golden Highway Project (Press release ME-PR-18-2019 dated 26 November 2019). As part of the latest Preliminary Economic Assessment dated 09 September 2020, Micon updated the South West resource of the Golden Highway project using a 2.6 g/t Au cut-off based on the results of the PEA.

Since the completion of a 2012 mineral resource estimate and Preliminary Economic Assessment, which examined the possibility of low-grade open pit bulk mining scenario at the project (Puritch et al., 2012), approximately 130,000 m of additional drilling on several targets has been performed by Moneta and used in the subsequent mineral resource estimate updates. This drilling and its results are described in the updated 21 October 2020 NI 43-101 report that uses a 2.6 g/t Au cut-off grade at South West and 3.0 g/t Au cut-off grade at the other deposits assuming underground extraction.

**Table 11: Updated Golden Highway Mineral Resource Estimate; September 2020 (Micon International)**

Deposit Name	Cut-off Used (Au g/t)	Indicated			Inferred		
		Tonnes (t)	Grade (g/t)	Ounces (oz)	Tonnes (t)	Grade (g/t)	Ounces (oz)
South West	2.6	4,530,000	4.07	592,400	9,607,000	4.01	1,237,900
Windjammer South	3.0	364,000	4.19	49,100	173,000	4.59	25,500
55	3.0	216,000	5.11	35,400	327,000	4.31	45,300
West Block	3.0	-	-	-	301,000	3.23	31,200
Discovery	3.0	-	-	-	108,000	4.12	14,300
Windjammer North	3.0	-	-	-	265,000	3.80	32,400
<b>Total</b>		<b>5,110,000</b>	<b>4.12</b>	<b>676,900</b>	<b>10,781,000</b>	<b>4.00</b>	<b>1,386,600</b>

Notes:

1. Mineral Resource Estimates are reported at a cut-off grade of 3.00 g/t Au for an underground mining scenario, except for the South West zone which used the cut-off determined in this PEA (2.6 g/t). The cut-off grade was calculated at a gold price of US\$1,250 per ounce, an exchange rate of US\$/C\$ of 0.75 and operational assumptions outlined in Section 14 of this report. The cut-off for the South West zone was derived by calculations presented in the mining sections of this report.
2. The resource estimate is supported by statistical analysis with different high-grade capping applied to each of the deposits ranging from 6.0 g/t Au to 37.0 g/t Au on 1-m composites.
3. The mineral resources presented here were estimated with a block size of 10 m x 5 m x 10 m utilizing sub-blocks of variable size as required, and constrained within geological wire frames with a minimum width of 1.50 m, except for the South West update. There the mineral resources were estimated using a sub-blocked model with a parent block size of 15 m x 5 m x 15 m and child block size down to 5 m x 1 m x 5m utilizing these sub-blocks as required and constrained within geological wire frames with a minimum width of 1.50 m. The cells are estimated by Ordinary Kriging using the appropriate variogram model of each structure with individual search ellipsoids.
4. The mineral resources presented here were estimated by Micon International Limited using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definitions and Standards on Mineral Resources and Reserves.
5. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, market or other relevant issues.
6. The quantity and grade of reported Inferred Resources are somewhat uncertain in nature and there has not been sufficient work to define these Inferred Resources as Indicated or Measured Resources.
7. There are no historical underground voids from mining including shafts, ramps drifts or stopes in any of the deposit areas.
8. Tonnage estimates are based on bulk densities individually measured and calculated for each of the deposit areas, averaging 2.78 tonnes per cubic metre for the total resource. Resources are presented as undiluted and in situ.
9. The mineral resource estimates for South West and West Block are dated September 09, 2020. All other zones are dated January 15, 2019. The effective date for the drill hole database used to produce this updated mineral resource estimate for South West and West Block is November 26, 2019 and November 19, 2018 for the other zones. Tonnages and ounces in the tables are rounded to the nearest thousand and hundred respectively. Numbers may not total precisely due to rounding.
10. At the present time, Micon does not believe that the mineral resource estimate is materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

A new mineral resource update has been initiated by Moneta for the Windjammer South, 55 and new Westaway (including West Block) areas of the Golden Highway Project. The geological modelling, wireframe development and database compilation of drill results from historical and recent 18,159.0 m completed during the 2019/2020 winter period in 36 holes will be used for the preparation of the updated resource estimate. The mineral resource estimate is due from Micon during the fourth quarter of 2020.

**PORCUPINE AND NIGHTHAWK LAKE CAMPS**

Field exploration work was conducted on the Ogden (DeSantis East) and North Tisdale gold projects during the quarter. Field work consisted of geological mapping and surveying including the geochemical sampling of any outcrops, float or rocks that were warranted. The Ogden project field work located outcrop which had been subjected to trenching

historically but no significant results were returned. The North Tisdale field work did not locate any outcrop within the area surveyed.

No exploration work was conducted on the Kayorum, Nighthawk Lake and Denton gold projects during the past quarter.

## FINANCIAL REVIEW

The 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. 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 the Company's financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement 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.

This section discusses significant changes in the Consolidated Statements of Financial Position, Statements of Changes in Shareholders' Equity, Statements of Loss, Comprehensive Loss and Deficit, and Statements of Cash Flows for the nine months ended September 30, 2020.

### SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's key consolidated financial information for the last eight quarters:

Highlights (\$ except per share data)	2020			2019				2018
	Sep 30	30-Jun	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	-	-	-	-	-	-	-	-
Loss (earnings) and comprehensive loss (earnings)	1,037,300	942,481	320,444	1,352,197	692,477	147,289	1,149,865	849,797
Loss (earnings) per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01

### SIGNIFICANT EVENTS DURING Q3 2020

In July 2020, the Company completed a non-brokered equity financing for \$6,304,617 upon the issuance of 35,034,148 common shares comprised of (a) 15,036,486 shares at a price of \$0.14 per share and (b) 19,997,662 shares at a price of \$0.21 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 share's 'liability' of \$1,399,836 was reported representing the premiums of \$0.21 and \$0.14 received over the closing price of \$0.17 on the shares issued on a flow-through basis. A total of 2,002,192 broker compensation warrants, exercisable at \$0.21 and expiring in July 2022, were issued in connection with the financing. The estimated fair value, with a two-year term was \$117,347 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.06 per broker compensation warrant. The underlying assumptions used in the estimation of the fair values were, as follows: risk free rate: 0.27%, term: 2 years, expected volatility: 75.16%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

In Q3 2020, the Company granted 3,000,000 stock options to officers and directors at an average exercise price of \$0.18. The estimated fair value, with terms ranging from two to five years and vesting periods ranging over 24 months, was

\$191,200 using the Black Scholes valuation model. The weighted average grant date fair value ranged from \$0.06 to \$0.09 per stock option. The underlying assumptions used in the estimation of the fair values are as follows: risk free rate: 0.27% to 0.35%, term: 2 to 5 years, expected volatility: 66%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

### CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Consolidated Statements of Loss (Earnings), Comprehensive Loss (Earnings) and Deficit for the nine months ended September 30, 2020 and the corresponding notes thereto.

All references to “Q3 2020” or “Q3 2019” relate to the three-month periods ended September 30 of those years unless stated otherwise. All references to “YTD 2020” or “YTD 2019” relate to the nine-month periods ended September 30 of those years unless stated otherwise.

Moneta reported a loss and comprehensive loss of \$1,037,300 in Q3 2020 (YTD 2020: \$2,300,225) as compared to \$692,477 in Q3 2019 (YTD 2019: \$1,989,631). The variation primarily relates to an increase in exploration and evaluation expenditures of approximately \$750,000 YTD 2020 over YTD 2019, offset by the net variance in the deferred tax credit in Q1 2020 of \$1,323,296 transferred from the deferred premium on flow-through shares on the July and September 2019 equity financings, net of the deferred tax credit in Q1 2019 of \$533,333 on the September and December 2018 equity financings.

Exploration and evaluation expenditures were \$541,150 in Q3 2020 (YTD 2020: \$2,887,521) and relate to exploration activities on the *Golden Highway Project*, as compared to \$538,270 in Q3 2019 (YTD 2019: \$2,138,992). Further details are presented in the following table:

Periods ended September 30,	Three months				Nine months			
	2020		2019		2020		2019	
	\$		\$		\$		\$	
Drilling and Geophysics	56,960	12%	175,839	34%	1,477,007	51%	1,015,038	48%
Lab assay costs	65,654	12%	42,804	8%	237,264	8%	153,605	7%
Wages, benefits and contract labour	363,964	67%	300,419	56%	1,087,170	38%	932,206	44%
Other	54,572	10%	19,208	4%	86,080	3%	38,143	2%
Exploration and evaluation expenditures	541,150		538,270		2,887,521		2,138,992	

Share based compensation charges, related to options vested during the period, were \$92,163 in Q3 2020 (YTD 2020: \$98,005) as compared to \$47,160 in Q3 2019 (YTD 2019: \$92,061). Wages and benefits increased to \$285,837 in Q3 2020 (YTD 2020: \$383,075) from \$50,000 in Q3 2019 (YTD 2019: \$155,659) as a result of severance compensation to the previous CFO. General & administration expenses were higher at \$127,110 in Q3 2020 (YTD 2020: \$251,259) as compared to \$53,549 in Q3 2019 (YTD 2019: \$138,987) primarily due to an increase in investor relations costs. Legal and audit expenses decreased to \$29,720 in Q3 2020 (YTD 2020: \$128,157) from \$31,689 in Q3 2019 (YTD 2019: \$79,419) primarily due to reduced corporate activity during the period.

Other income was \$32,971 in Q3 2020 (YTD 2020: \$98,913) as compared to \$15,568 in Q3 2019 (YTD 2019: \$55,805) representing royalty income from a perlite operation. Interest income was \$5,709 in Q3 2020 (YTD 2020: \$25,583) as compared to \$12,623 in Q3 2019 (YTD 2019: \$26,349), representing interest earned on fluctuating cash balances period over period.

### CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Consolidated Statements of Financial Position and Statements of Changes in Shareholders’ Equity as at September 30, 2020 and the corresponding notes thereto.

### **Consolidated assets**

Consolidated assets were \$9,305,306 at September 30, 2020 as compared to \$6,964,253 as at December 31, 2019. Cash in bank was \$7,082,165 at September 30, 2020 as compared to \$4,715,417 at December 31, 2019. Receivables were \$56,246 at September 30, 2020 as compared to \$44,567 as at December 31, 2019. Sales taxes recoverable were \$38,743 at September 30, 2020 as compared to \$96,757 at December 31, 2019. Interest receivable on short term investments was \$2,572 at September 30, 2020 as compared to \$7,812 as at December 31, 2019.

Exploration and evaluation assets were \$2,097,411 at September 30, 2020 as compared to \$2,073,444 at December 31, 2019, representing the capitalization of project acquisition costs. Exploration and evaluation expenditures are expensed to the consolidated statements of loss and comprehensive loss and deficit.

### **Consolidated liabilities**

Consolidated liabilities at September 30, 2020 were \$1,946,921 as compared to \$2,058,715 at December 31, 2019 and was comprised of accounts payable and accrued liabilities of \$547,085 at September 30, 2020 as compared to \$735,419 at December 31, 2019, and \$1,399,836 in deferred premium on flow-through shares 'liability' at September 30, 2020 as compared to \$1,323,296 at December 31, 2019.

### **Shareholders' equity**

Shareholders' equity was \$7,358,385 at September 30, 2020 as compared to \$4,905,538 at December 31, 2019. The change is primarily due to the issuance of a non-brokered equity financing for \$6,304,617 upon the issuance of 35,034,148 common shares comprised of (a) 15,036,486 shares at a price of \$0.14 per share and (b) 19,997,662 shares at a price of \$0.21 per, issued on a flow-through basis to be used to incur eligible Canadian exploration expenditures. A loss and comprehensive loss for the nine months ended September 30, 2020 of \$2,300,225 partially offset the equity financing

The common shares issued in the September 2019 combined hard dollar and flow-through equity financing of \$3,000,000 were reported as a \$2,218,750 increase in capital stock, and a \$781,250 increase in non-cash deferred premium on flow-through shares 'liability', reflecting the premium of \$0.16 in flow-through share proceeds received over the prevailing share price of \$0.11 per share.

The common shares issued in the July 2019 combined hard dollar and flow-through equity financing of \$3,204,546 were reported as a \$2,662,500 increase in capital stock, and a \$542,046 increase in non-cash deferred premium on flow-through shares 'liability', reflecting the premium of \$0.15 in flow-through share proceeds received over the share price of \$0.13 per share at closing.

The \$781,250 and \$542,046 totalling \$1,323,296 in 'deferred premium on flow-through shares' liability from the July and September 2019 financings was transferred from the statement of financial position to a deferred tax credit on the statement of loss, comprehensive loss and deficit in Q1 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

This section should be read in conjunction with the Consolidated Statements of Financial Position as at September 30, 2020 and the corresponding notes thereto.

The consolidated working capital ratio at September 30, 2020 was 13 : 1 as compared to working capital ratio of 7 : 1 at December 31, 2019, excluding the non-cash deferred premium on flow-through shares liability of \$1,399,836 at September 30, 2020 and \$1,323,296 at December 31, 2019. At September 30, 2020, the Company held cash in bank of \$7,082,165 (December 31, 2019: \$4,715,417 in cash and equivalents), prepaid expenses of \$28,169 (December 31, 2019: \$26,256), receivables of \$56,246 (December 31, 2019: \$44,567), sales taxes recoverable of \$38,743 (December 31, 2019: \$96,757), and short term interest receivable of \$2,572 (December 31, 2019: \$7,812).

Current liabilities at September 30, 2020 included accounts payable and accrued liabilities of \$547,085 (December 31, 2019: \$735,419) and related to operating expenses incurred during the period and payable in the normal course and other accruals. The non-cash deferred premium on flow through share liability was \$1,399,836 at September 30, 2020 due to the issuance of flow through shares in July 2020. The \$1,323,296 reported at December 31, 2019 was reversed to a deferred tax credit on the statement of loss and comprehensive loss and deficit in Q1 2020 upon the renunciation of flow through expenditures related to the July and September 2019 financings.

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, 2020.

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 its mineral properties 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.

Moneta has not earned significant revenues to date. As a result, the most meaningful information concerning the Company's financial position relates to its liquidity and solvency position. The Company raises funds for its operations primarily through the issuance of common shares.

The Company believes that it has sufficient working capital to meet its current obligations and currently planned operating costs and expenditures on its mineral properties. The Company intends to strategically advance its *Golden Highway Project* by way of additional exploration programs. Moneta intends to seek additional capital resources, when required, from equity financings, including flow-through, as market conditions permit. Although the Company has been successful in the past in raising funds, there can be no assurance that any funding required by the Company in the future will be available to it and, if such funding is available, that it will be offered on reasonable terms. In the event the Company is unsuccessful at raising such funds, it may not be able to continue as a going concern. Moneta has no material commitments or contractual obligations with respect to the development of any mineral properties beyond those that would be considered as part of normal business.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

#### **TRANSACTIONS WITH RELATED PARTIES**

The Company expensed a salary of \$133,333 in YTD 2020 (YTD 2019: \$150,000) to an officer and director for CEO and Chief Geologist services provided to the Company under an ongoing employment agreement. The Company expensed a salary of \$382,621 in YTD 2020 (YTD 2019: \$150,000) to an officer and director for President and CFO and other services provided to the Company under an ongoing employment agreement. As of September 30, 2020, \$257,621 remains payable to the past CFO.

During the period, a total of 400,000 stock options were exercised by a former director of the Company at an average price of \$0.10 for gross proceeds of \$38,000.

Cash director fees during the period amounted to \$9,000 (YTD 2019: \$NIL). There were no loans to directors or officers during the period (YTD 2019: \$NIL). All related party transactions were completed in the normal course of business.

In Q3 2020, the Company granted 3,000,000 stock options to officers and directors at an average exercise price of \$0.18. The estimated fair value, with terms ranging from two to five years and vesting periods ranging over 24 months, was \$191,200 using the Black Scholes valuation model. The weighted average grant date fair value ranged from \$0.06 to \$0.09 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 0.27% to 0.35%, term: 2 to 5 years, expected volatility: 66%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

#### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), as appropriate, to permit timely decisions regarding public disclosure. The CEO and CFO have, as at September 30, 2020, designed Disclosure Controls and Procedures as defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* of the Canadian Securities Administrators, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, disclosed in its annual and interim filings, is reported within the respective time periods specified under securities legislation. The Company's CEO and CFO have each evaluated the design and effectiveness of the Company's disclosure controls and procedures and have concluded that they are operating effectively as at September 30, 2020.

#### **Internal Control over Financial Reporting**

The CEO and CFO are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Based on a review of its internal control procedures at the end of the period covered by this MD&A, the CEO and CFO have concluded that the internal controls and procedures are appropriately designed and effective, in all material respects, as at September 30, 2020.

Management works to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, including the possibility of human error and the circumvention or overriding of the controls and procedures by an individual or groups of individuals acting in collusion, they cannot provide absolute assurance that all control issues and instances of fraud, if any, have been prevented or detected. Due to inherent limitations, internal controls over financial reporting and disclosure may not prevent or detect all misstatements. Management will continue to monitor the effectiveness of its internal control over financial reporting and disclosure controls and procedures and may make modifications from time to time as considered necessary.

There were no changes to the Company’s internal controls during the nine months ended September 30, 2020 that have materially affected, or are likely to materially affect, the internal controls over financial reporting or disclosure controls and procedures. The CEO and CFO will continue to monitor the effectiveness of the internal controls over financial reporting and disclosure controls and procedures and will make changes to the controls as and when appropriate.

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### **CRITICAL ACCOUNTING ESTIMATES**

Moneta's significant accounting policies are summarized in note 3 to the consolidated financial statements for the year ended December 31, 2019. The preparation of financial statements in conformity with IFRS requires management 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. Significant areas requiring the use of management estimates include, but are not limited to, the determination of carrying value of exploration and evaluation assets, the valuation of share-based compensation transactions, the valuation of purchase warrants issued on financings, deferred income tax assets and liabilities, and accrued liabilities and contingencies. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes 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.

#### **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.

#### **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.

#### **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.

#### **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, Comprehensive Loss and Deficit.

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

#### **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.

### **CHANGES IN ACCOUNTING POLICIES**

There were changes in accounting policies during the period.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

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 consolidated balance sheet 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 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.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. 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 three 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.

The aggregate gross credit risk exposure at September 30, 2020 was \$7,179,726 (December 31, 2019: \$4,864,553), and was comprised of \$7,082,165 (December 31, 2019: \$4,715,417) in cash held with Canadian financial institutions with a "AA-" credit rating, \$56,246 (December 31, 2019: \$44,567) in receivables, \$38,743 (December 31, 2019: \$96,757) in sales taxes recoverable, and \$2,572 (December 31, 2019: \$7,812) 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.

The Company believes that its cash position provides adequate liquidity to meet the Company's near-term obligations subject to unforeseen circumstances included but not limited to the COVID 19 pandemic.

## **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.

#### **OUTSTANDING SHARE DATA**

As at September 30, 2020, the Company had a total of 346,969,630 (December 31, 2019: 311,535,482) common shares outstanding, 19,975,000 (December 31, 2019: 19,775,000) stock options outstanding at an average exercise price of \$0.18 per share (December 31, 2019: \$0.18), and 3,454,465 broker warrants exercisable at \$0.16 and \$0.21 and expiring July 2021 and July 2022 (December 31, 2019: 1,452,273 at \$0.16). Additional details are available in note 6 to the consolidated financial statements for the nine months ended September 30, 2020.

#### **COVID-19 IMPACT**

The Company continues to follow the guidance from relevant authorities regarding the novel COVID-19 pandemic. The safety and health of our employees is paramount and appropriate steps have been taken to ensure the safe physical distancing of employees. The resulting cut-back in activities could potentially result in the delay in the delivery of project initiatives. For the foreseeable future, the Company continues to monitor the situation and take the necessary steps as required.

As of the filing date of these interim financial statements for the nine months ended September 30, 2020, there were no identified indicators of impairment as a result of COVID-19 and, consequently, no adjustments have been made to these interim financial statements.

#### **SUBSEQUENT EVENTS**

There are no subsequent events from the end of the quarter to the approval date of these financial statements.