

# **EXGEN RESOURCES INC.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

For the period ended September 30, 2019  
(Expressed in Canadian dollars)

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying condensed consolidated interim financial statements and the notes thereto have been prepared by, and are the responsibility of, the management of ExGen Resources Inc. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards using management's best judgments.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants.

Vancouver, Canada  
November 26, 2019

"Signed"

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Jason Riley  
President

"Signed"

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Jason Tong  
Chief Financial Officer

# EXGEN RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian dollars)  
(unaudited)

	September 30, 2019	December, 31 2018
<b>Assets</b>		
Current assets:		
Cash	\$ 245,170	\$ 269,988
GST receivable	14,453	10,203
Share subscription receivable	-	265,000
Prepaid expenses	-	7,970
	259,623	553,161
Deposits (note 4)	45,507	46,888
Marketable securities (note 5)	378,963	560,993
Investment in associate (note 6)	125,677	282,397
Mineral properties (note 7)	17,380	17,380
	\$ 827,150	\$ 1,460,819
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 208,667	\$ 212,178
Shareholders' equity:		
Share capital (note 8)	20,216,265	20,216,265
Warrants reserve (note 8)	362,028	495,422
Contributed surplus	4,110,686	3,977,292
Accumulated other comprehensive income (loss)	(421,259)	(215,632)
Deficit	(23,649,237)	(23,224,706)
	618,483	1,248,641
	\$ 827,150	\$ 1,460,819

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:

(Signed) "Jason Riley" \_\_\_\_\_ Director

(Signed) "Dennis Thomas" \_\_\_\_\_ Director

# EXGEN RESOURCES INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Expressed in Canadian dollars)  
(unaudited)

	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
<b>December 31, 2017</b>	<b>344,730,080</b>	<b>\$20,092,265</b>	<b>\$ 309,422</b>	<b>\$ 3,977,292</b>	<b>\$ 173,867</b>	<b>\$ (23,067,427)</b>	<b>\$ 1,485,419</b>
Comprehensive loss	-	-	-	-	(173,108)	(167,608)	(340,716)
<b>September 30, 2018</b>	<b>344,730,079</b>	<b>\$20,092,265</b>	<b>\$ 309,422</b>	<b>\$ 3,977,292</b>	<b>\$ 759</b>	<b>\$ (23,235,035)</b>	<b>\$ 1,149,631</b>
<b>December 31, 2018</b>	<b>350,930,080</b>	<b>\$20,216,265</b>	<b>\$ 495,422</b>	<b>\$ 3,977,292</b>	<b>\$ (215,632)</b>	<b>\$ (23,224,706)</b>	<b>\$ 1,248,641</b>
Warrants expired	-	-	(133,394)	133,394	-	-	-
Comprehensive loss	-	-	-	-	(205,627)	(424,531)	(630,158)
<b>September 30, 2019</b>	<b>350,930,080</b>	<b>\$20,216,265</b>	<b>\$ 362,028</b>	<b>\$ 4,110,686</b>	<b>\$ (421,259)</b>	<b>\$ (23,649,237)</b>	<b>\$ 618,482</b>

See accompanying notes to condensed consolidated interim financial statements.

# EXGEN RESOURCES INC.

Condensed Consolidated Interim Statements of Operations, Comprehensive Loss and Deficit  
(Expressed in Canadian dollars)  
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Expenses and other items:</b>				
General and administrative (note 9)	\$ (21,452)	\$ (13,880)	\$ (63,090)	\$ (56,530)
Professional fees	(758)	(27,235)	(34,138)	(51,928)
Project expenditures	(51,440)	(54,290)	(316,926)	(56,536)
Foreign exchange gain (loss)	3,206	(658)	(535)	11,658
	(70,444)	(96,063)	(414,689)	(153,336)
Share of loss of associate (note 6)	(1,067)	(4,783)	(9,842)	(14,272)
<b>Net loss</b>	<b>\$ (71,511)</b>	<b>\$ (100,846)</b>	<b>\$ (424,531)</b>	<b>\$ (167,608)</b>
Unrealized gain (loss) on investments in marketable securities (note 5)	47,654	(1,497)	(182,030)	(171,358)
Foreign currency translation of equity accounted investee (note 6)	(822)	(145)	(23,597)	(1,750)
<b>Comprehensive income (loss)</b>	<b>\$ (24,679)</b>	<b>\$ (102,488)</b>	<b>\$ (630,158)</b>	<b>\$ (340,716)</b>
<b>Net (loss) per share - basic and diluted (note 8)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to condensed consolidated interim financial statements.

# EXGEN RESOURCES INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars)  
(unaudited)

	Nine months ended September 30,	
	2019	2018
Cash provided by (used in):		
Operations:		
Net loss for the period	\$ (424,531)	\$ (167,608)
Non-cash items		
Unrealized foreign exchange	-	(2,598)
Share of loss of associate	9,842	14,272
Change in working capital	1,590	(1,646)
	(413,099)	(157,579)
Investing:		
Cash received for option payments	123,281	157,500
Financing:		
Cash received for subscription receivable	265,000	-
Change in cash	(24,818)	(79)
Cash beginning of period	269,988	313,070
Cash, end of period	\$245,170	\$ 312,991

## Supplemental cash flow information

Interest paid	\$	-	\$	-
Interest payments received		-		-
Taxes paid		-		-

See accompanying notes to condensed consolidated interim financial statements.

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)  
Period ended September 30, 2019  
(unaudited)

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ExGen Resources Inc. (the “Company” or “ExGen”) is incorporated under the laws of the Province of Alberta, Canada. The Company’s head office is located at 1240-1140 West Pender Street, Vancouver, British Columbia, V6E 4G1. These condensed consolidated interim financial statements comprise the Company and its wholly-owned US subsidiary and 3 Amigos Exploration Inc. The Company is engaged in the exploration of copper-gold mineral properties in Canada and the United States. The Company’s properties are currently in the exploration stage. Its common shares trade on the TSX Venture Exchange (“TSX-V”).

## 1. Going concern:

These condensed consolidated interim financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

Several adverse conditions indicate the existence of a material uncertainty that may cast significant doubt on the validity of this assumption. The Company has incurred operating losses to date and is currently unable to self-finance any future operations. The Company’s ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives.

These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed consolidated interim financial statements, adjustments would be necessary in statement of financial position classifications used. Such adjustments could be material.

## 2. Basis of Preparation:

### (a) Statement of compliance

These condensed consolidated interim statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and related Interpretations (“IFRICs”) as issued by the International Accounting Standard Board (“IASB”).

These condensed consolidated interim financial statements and compliance with IFRS were approved by the Board of Directors on November 26, 2019.

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2018 annual consolidated financial statements.

### (b) Functional and presentational currency

All amounts on the condensed consolidated interim financial statements are presented in Canadian dollars which is the functional currency of the Company.

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 2  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

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## 2. Basis of Preparation (continued):

### (c) Use of estimates and judgments

There have been no material revisions to the nature of the judgments and estimates disclosed in the December 31, 2018 annual financial statements.

## 3. Adoption of new accounting standard

IFRS 16 establishes a comprehensive framework for recognition, measurement and classification of leases and requires lessees to recognize assets and liabilities for most leases. It has replaced International Accounting Standard ("IAS") 17 Leases and related interpretations. The Company has adopted IFRS 16 retrospectively from January 1, 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are recognized on the opening statement of financial position on January 1, 2019 to the extent they arise; however, no adjustments were necessary to the Company's opening retained earnings as a result of the adoption of this standard. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value. With respect to the Company's office leases, the Company has elected not to apply IFRS 16 as the term is less than 12 months, as permitted under the standard. Lessor accounting remains similar to previous accounting policies.

## 4. Deposits

Deposits are amounts placed with government entities to provide surface reclamation coverage for operations conducted and also to ensure sufficient work commitments to keep claims in good standing.

## 5. Marketable securities

As at September 30, 2019, the Company held 1,330,000 shares (2018 – 13,300,000 shares) in Phoenix Mining Global Ltd. ("Phoenix"). The shares were received as part of the two option agreements signed with Phoenix (see note 7). Marketable securities are measured at fair value by reference to quoted stock prices. During the period ended September 30, 2019, the Company recorded an unrealized loss of \$182,030 (2018 – \$169,861).

## 6. Investment in associate

On June 29, 2017, Phoenix exercised its option to acquire an 80% ownership in Konnex. Konnex is involved in exploration and evaluation of mineral properties and holds title to the Empire Mine property located in the United States (see note 7). The acquisition by Phoenix diluted the Company's ownership in Konnex from 100% to 20% resulting in deconsolidation of Konnex and accordingly the Company's interest in Konnex is recorded as an investment in an associate accounted for using the equity method.

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 3  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

## 6. Investment in associate (continued)

	September 30, 2019	December 31, 2018
Investment in Konnex		
Opening balance	\$ 282,397	\$ 305,957
Share of loss of Konnex	(9,842)	(21,810)
Equity – other comprehensive income	(23,597)	(1,750)
Cash received from option agreement (Note 7)	(123,281)	-
Ending balance	\$ 125,677	\$ 282,397

  

As at	September 30, 2019	December 31, 2018
Current assets <sup>1</sup>	\$ 112,731	\$ 89,596
Non-current assets	11,401,347	10,843,736
Current liabilities	(180,855)	(466,257)
Non-current liabilities	(10,424,905)	(9,477,991)
Net assets	908,318	989,084
The Company's share of net assets – 20% (2018 – 20%)	\$ 181,664	\$ 197,817

<sup>1</sup> Inclusive of Cash of \$101,577 at September 30, 2019 (\$31,729 – December 31, 2018).

## 7. Mineral properties:

### Expenditures by activity:

	December 31, 2018	(Proceeds)	September 30, 2019
Property acquisitions(recoveries)	\$ 3,816,055	\$ -	\$ 3,816,055
Lease costs, net of reversals	1,906,003	-	1,906,003
Geological and geophysical services	6,270,302	-	6,270,302
Drilling	3,772,553	-	3,772,553
Impairment	(14,277,059)	-	(14,277,059)
Deconsolidation	(1,470,474)	-	(1,470,474)
	\$ 17,380	\$ -	\$ 17,380

### Expenditures by activity:

	December 31, 2017	(Proceeds)	December 31, 2018
Property acquisitions(recoveries)	\$ 3,974,206	\$ (158,151)	\$ 3,816,055
Lease costs, net of reversals	1,906,003	-	1,906,003
Geological and geophysical services	6,270,302	-	6,270,302
Drilling	3,772,553	-	3,772,553
Impairment	(14,277,059)	-	(14,277,059)
Deconsolidation	(1,470,474)	-	(1,470,474)
	\$ 175,531	\$ (158,151)	\$ 17,380

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 4  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

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## 7. Mineral properties (continued):

### Expenditures by property:

	December 31, 2018	Additions / (Proceeds)	(Impairment) / Reversal of Impairment	September 30, 2019
Boss	\$ -	\$ 264,622	\$ (264,622)	\$ -
Buena Vista	-	-	-	-
Gordon Lake	17,380	-	-	17,380
DOK	-	864	-(864)	-
East Breccia	-	-	-	-
	<u>\$ 17,380</u>	<u>\$ 265,486</u>	<u>\$ (265,486)</u>	<u>\$ 17,380</u>

### Expenditures by property:

	December 31, 2017	Additions / (Proceeds)	(Impairment) / Reversal of Impairment	December 31, 2018
Boss	\$ -	\$ -	\$ -	\$ -
Buena Vista	-	-	-	-
Gordon Lake	175,531	(158,151)	-	17,380
DOK	-	-	-	-
East Breccia	-	-	-	-
	<u>\$ 175,531</u>	<u>\$ (158,151)</u>	<u>\$ -</u>	<u>\$ 17,380</u>

The Company has no current Mineral Resources or Mineral Reserves on any of its properties.

### United States Properties

#### *Boss Property*

The Company's 100% owned Boss property consists of a lease agreement with a patented claim owner, as well as 2 unpatented mineral claims. The agreement provides for advance royalty payments of \$1,500 per month. On commencement of production, the advance royalty will be converted to a production royalty, which will be equal to a 1.5% Net Smelter Returns ("NSR") royalty on commercial production. The owner can convert the advance royalty payments to a 20% working interest at any time before completion of a feasibility study.

During the year ended December 31, 2018, the Company has extended the lease agreement to December 31, 2020. The Company has prepaid monthly lease payments up to December 31, 2020 (see note 4).

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 5  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

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## 7. Mineral properties (continued)

### *Empire Mine*

The Company obtained the option to acquire the Empire mine project through its acquisition of Konnex. Pursuant to an option and exploration agreement, ExGen was required to issue 5,000,000 shares on or before April 1, 2014 and was required to pay \$950,000 in cash on or before July 1, 2015, to earn a 95% interest in the property. The Company was also able to elect to pay an additional \$225,000 on or before July 1, 2015, to earn the final 5% interest, and therefore hold a 100% interest in the property. If the Company held a 100% interest, the Company was required to pay a 2% NSR royalty to the optioner. The Empire Mine project was also subject to a 2.5% NSR royalty.

Pursuant to the amended terms, the option may be exercised with Konnex earning a 100% interest in the Property.

All required payments were completed as at April 20, 2015 and the Company earned a 100% interest in the property.

As consideration for the Amendments, the Company has agreed to make milestone payments to Musgrove as follows:

- i) Cash payment of \$100,000 on completion of a NI 43-101 compliant Pre-Feasibility Study; and
- ii) \$250,000 per 100 million pounds of copper reserves, as determined by a NI 43-101 compliant Bankable Feasibility Study.

These lease payments are the obligation of Konnex, subsequent to the change in control.

On July 15, 2015, ExGen, together with Konnex signed an option agreement ("Original Agreement") with Phoenix, for Phoenix to secure an option to acquire 80% of the issued shares of Konnex, which holds the leases to the Empire Mine Project. On November 9, 2016, ExGen, together with Konnex signed an amended option agreement ("Amended Agreement") with Phoenix on the terms and conditions noted below, including a term requiring the return of the Konnex common shares to ExGen in certain circumstances, as discussed further below. The terms of the original option with Phoenix remain in place except as amended below.

### Project Participation

- Upon the deposit by Phoenix of \$1,000,000 USD into the Konnex bank account (discussed below under Project Expenditures by Phoenix), 80% of Konnex's common shares will be transferred to Phoenix.
- ExGen to retain a 20% carried interest until commencement of mine construction.
- ExGen to be granted a 2.5% net smelter returns royalty for all metals on the Empire Mine Project (the "2.5% NSR").
- If any of the cash or share payments, or project expenditure requirements, both as described below, are not completed as required pursuant to the Original Option as amended by the Amendment, or if the Original Option is terminated, then the 80% of the Konnex common shares will be returned to ExGen without ExGen paying any consideration.

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 6  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

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## 7. Mineral properties (continued)

### *Empire Mine (continued)*

#### Cash and Shares

- ExGen to be paid a cash payment of \$50,000 USD on signing the Original Agreement (received).
- ExGen to be issued 5,000,000 common shares of Phoenix on signing the Original Agreement (received – see note 5).
- ExGen to be paid a cash payment of \$50,000 USD within 60 days of signing the Original Agreement (received).
- ExGen to be paid a cash payment of \$50,000 USD on signing the Amended Agreement (received).
- ExGen to be issued an additional 5,000,000 common shares of Phoenix and an additional 1,300,000 common shares of Phoenix on signing the Amended Agreement (received – see note 5).
- ExGen to be paid a cash payment of \$100,000 USD on the earlier of the Phoenix Initial Public Offering (Phoenix IPO) date or by March 31, 2017 (received).
- ExGen to be paid \$100,000 USD on each anniversary date of the earlier of the Phoenix IPO or March 31, 2017 (the “IPO Anniversary Payment”) until the completion of a bankable feasibility study on the Empire Mine Project. As at December 31, 2018, the Company has received \$100,000 USD (\$126,000 CAD) as payment (2017 \$nil).
- The IPO Anniversary Payment increases 100% to \$200,000 USD for any payment where during the prior 12 months period the minimum expenditures on the Empire Mine Project has not been met (see below for minimum expenditure requirements).

#### Project Expenditures by Phoenix

- Phoenix to have deposited a minimum of \$1,000,000 USD into the Konnex bank account by the earlier of the Phoenix IPO date or by June 30, 2017, subject to Phoenix making monthly payments of \$ 12,500 USD to Konnex until the \$ 1,000,000 USD is settled.
- Phoenix to spend the \$1,000,000 USD on the Empire Mine Project within 12 months of deposit into the Konnex bank account.
- Phoenix to fund all Empire Mine Project property maintenance and sustaining costs of Konnex.

#### Project Expenditures by Phoenix (continued)

- Phoenix to spend a minimum of \$500,000 USD on the Empire Mine Project every 12 months until completion of the bankable feasibility study.

#### Deal Protection and Corporate Structure

- Should Phoenix sell its 80% interest in Konnex prior to the commencement of commercial production, ExGen shall have the right but not the obligation to sell its 20% interest in Konnex on the same terms as Phoenix.

On June 29, 2017, Phoenix fulfilled all necessary obligations in order to exercise its option to acquire 80% interest in Konnex.

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 7  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

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## 7. Mineral properties (continued)

### *Buena Vista Property*

ExGen acquired a 100% interest in the property located in central Nevada by making expenditures on the property of \$1,000,000 USD, assuming the obligations on one unpatented claim known as Copper Kettle, and making cash payments of USD \$80,000 by 2011.

### **Canadian Properties**

#### *Gordon Lake Property*

The company holds 100% interest in the Gordon Lake gold property is located in the Northwest Territories. On February 9, 2018, the Company entered into an option agreement allowing Phoenix to earn an 80% interest in Gordon Lake by making the following payments and exploration commitments:

#### *Cash and Shares*

- Cash payment of US \$25,000 on signing the Option (received)
- 2,000,000 common shares of Phoenix within 90 days of signing the Option (received)
- US \$25,000 on the first 2 anniversary dates of the signing of the Option and thereafter US \$50,000 on the anniversary date of the signing of the Option until the completion of a bankable feasibility study on Gordon Lake.

#### *Project Spend by Phoenix*

- Phoenix to spend a minimum of US \$250,000 on Gordon Lake within 12 months of signing the Option

#### *Project Participation*

- ExGen to retain a 20% carried interest until commencement of mine construction, at which time ExGen will be required to contribute to the construction of production facilities on Gordon Lake in respect of its 20% interest.
- ExGen granted a 2.5% NSR royalty for revenue realized from commercial production from Gordon Lake.

In February 2019, the option agreement between the Company and Phoenix to earn an 80% interest in the Gordon Lake property was terminated.

#### *DOK Property*

On May 16, 2011, the Company signed an Option Agreement with two private property owners to earn a 100% interest in the DOK copper-gold porphyry property in northern British Columbia, Canada. The property consists of 17 contiguous mineral claims covering approximately 18,500 acres. The Option Agreement was amended on December 15, 2011, April 13, 2014, and July 19, 2016.

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 8  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

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## 7. Mineral properties (continued)

### *DOK Property (continued)*

Under the amended terms of the Option Agreement, the Company has the right to earn a 100% interest in the DOK property by making the following payments and exploration commitments:

- a) Cash payments totaling \$340,000 over six years as follows:
  - \$20,000 on signing (paid),
  - \$30,000 on or before April 30, 2012 (paid),
  - \$40,000 on or before April 30, 2013 (paid),
  - \$50,000 on or before April 30, 2014 (paid),
  - \$50,000 on or before April 30, 2015 (paid), and
  - \$150,000 on or before April 30, 2016 (satisfied via amendment dated July 19, 2016 detailed below).
- b) Exploration expenditures totaling \$3,000,000 due as follows:
  - \$500,000 on or before by April 30, 2012 (incurred), and
  - \$2,500,000 on or before April 30, 2017 (amended July 19, 2016 detailed below),
- c) A 3% NSR to the property vendors, of which the Company has the right to repurchase 2% of the NSR at any time prior to the commencement of commercial production for a cash payment of \$2,000,000.

On April 14, 2014 Continental Precious Minerals Inc. ("Continental") signed a Sub-Option Agreement with ExGen to earn up to a 75% interest in the DOK property. In July 2016, Continental has elected to withdraw from its option. As a result, the Company regained control of the DOK project from Continental.

On July 19, 2016, the Company entered into an amending agreement with the optionors of the DOK property to amend the option terms for the DOK property, which was initiated in May 2011. Pursuant to the amendment the Company will make the following payments to the Optionors:

- \$16,000 on execution of the Amendment (paid);
- \$20,000 on or before July 19, 2017 (paid);
- \$40,000 on or before July 19, 2018 (paid);
- \$50,000 on or before July 19, 2019 (paid);; and
- \$90,000 on or before July 19, 2020.

ExGen was also granted a 3 year extension (from April 30, 2017 to April 30, 2020) to incur \$2,537,328 of exploration and development expenditures required to exercise the option and acquire 100% of DOK.

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 9  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

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## 7. Mineral properties (continued)

### *East Breccia Property*

On June 9, 2011, the Company signed an Option Agreement (“Agreement 1”) whereby it has the right to earn a 100% working interest in certain claims in the East Breccia copper-molybdenum-silver exploration property located in south-central Ontario by making the following payments and exploration commitments:

- a) Initial cash payment of \$15,000 and issuing of 75,000 common shares of ExGen on execution of option agreement. The cash payment was made upon execution of the option agreement however shares were issued upon regulatory approval on August 3, 2011.
- b) Additional cash payments totaling \$150,000 and common share issuances totaling 425,000 shares over four years:
  - \$25,000 and 75,000 common shares on the first anniversary date (paid and issued);
  - \$35,000 and 100,000 common shares on the second anniversary date (paid and issued);
  - \$40,000 and 100,000 common shares on the third anniversary date (paid per “Amendment 1”);
  - \$50,000 and 150,000 common shares on the fourth anniversary date (see “Amendment 2”)
- c) Exploration expenditures totaling \$308,000 over four years as follows: \$44,000 on or before June 9, 2012 (incurred), \$44,000 on or before June 9, 2013 (incurred), \$88,000 on or before June 9, 2014 (incurred) and \$132,000 on or before June 9, 2015 (incurred); and
- d) A 3% NSR to the property vendors, of which the Company has the right to repurchase 1% of the NSR at any time for a cash payment of \$1,000,000, or in increments of \$500,000 per 0.5% NSR.

On October 31, 2012, the Company signed an Asset Purchase Agreement (“Agreement 2”) acquiring a 100% interest in additional mineral claims in the East Breccia property located in South Central Ontario for \$308,000 by issuing 4,400,000 common shares of ExGen at a fair value of \$0.07 per share upon execution of the agreement and issuing a 2% NSR of which the Company has the right to repurchase 1% of the NSR at any time for a cash payment of \$1,200,000.

A one-time bonus payment of \$1,000,000 in common stock of ExGen will become due and payable upon completion of a bankable feasibility study (as defined in the option agreement) for the development of the claims purchased. The number of shares to be issued is to be calculated using the 15 day volume weighted average trading price of the Company’s common stock starting on the date a news release discloses a bankable feasibility study.

On June 9, 2014, the Company signed an Amendment (“Amendment 1”) with the East Breccia Optionors, revising the third anniversary cash payment to \$20,000 on June 9, 2014 (paid) and \$20,000 on September 9, 2014 (paid).

On November 24, 2015, the Company signed an Amendment (“Amendment 2”) with the East Breccia Optionors, revising the fourth anniversary cash payment to:

# EXGEN RESOURCES INC.

Notes to Condensed Consolidated Interim Financial Statements, Page 10  
(Expressed in Canadian dollars)

Period ended September 30, 2019  
(unaudited)

## 7. Mineral properties (continued)

### *East Breccia Property (continued)*

- i) \$12,500 within 5 business days of execution of Amendment 2 (paid);
- ii) An aggregate of 150,000 common shares in the capital of ExGen to be issued within 5 days of obtaining TSX-V approval (issued – valued at \$0.01 per share);
- iii) At ExGen's option, either \$12,500 or an aggregate of 750,000 common shares in the capital of ExGen to be issued within 6 months of the execution of Amendment 2 (750,000 common shares issued);
- iv) At ExGen's option, either \$12,500 or an aggregate of 750,000 common shares in the capital of ExGen to be issued within 12 months of Amendment 2 (750,000 common shares issued);
- v) At ExGen's option, either \$12,500 or an aggregate of 750,000 common shares in the capital of ExGen to be issued within 18 months of the signing of Amendment 2 (750,000 common shares issued).

Commencing on the earlier of: 1) the first anniversary whereby ExGen has reached Commercial Production of the Empire Mine Project, or 2) five years from the date execution of Amendment 2, a pre-production advance royalty of \$20,000 per annum, will be payable to the Optionors and will be deductible against future royalty payments upon the commencement of commercial production from the East Breccia property. For greater clarity, if after 5 years from the execution of Amendment 2, the payment of the pre-production advance royalty of \$20,000 per annum has not commenced, then the East Breccia property will revert to the Optionors.

## 8. Share Capital

### (a) Authorized:

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares without nominal or par value of which none have been issued.

### (b) Warrants:

As at September 30, 2019 there were a total of 9,200,000 warrants outstanding.

	2019		2018	
	Number of warrants	Amount	Number of warrants	Amount
Outstanding, beginning of period	18,254,000	\$ 495,422	12,054,000	\$ 309,422
Expired	(9,054,000)	(133,394)	–	–
Issued	–	–	6,200,000	186,000
Outstanding, end of period	9,200,000	\$ 362,028	18,254,000	\$ 495,422

*Warrants outstanding at September 30, 2019:*

Expiry	Exercise Price	Number
September 26, 2021	\$0.10	3,000,000
December 21, 2022	\$0.05	6,200,000
		<u>9,200,000</u>

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## 8. Share Capital

### (b) Warrants (continued):

There were no warrants issued or extended during the period ended September 30, 2019.

### (c) Share options:

Under the Company's stock option plan, the Company may grant equity-settled options to consultants, officers and directors equal to 10% of the then issued and outstanding common shares. The exercise price and vesting period of options granted is not less than the market price of the common shares traded less the available discount under TSX Venture Exchange Inc. policies, and is determined by the Board of Directors. Options granted can have a term of up to 10 years. Outstanding options to purchase common shares and units under the Company's stock option plan are as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	–	–	–	–
Granted	–	–	–	–
Expired	–	–	–	–
Cancelled	–	–	–	–
Outstanding, end of period	–	–	–	–
Exercisable, end of period	–	–	–	–

### (e) Share-based compensation:

Compensation expense is recognized for stock options granted over the vesting period, being 12.5% on date of grant with a further 12.5% vesting each quarter thereafter. Options granted are non-transferable and expire after three years. In accordance with the Company's incentive stock option plan, these options have an exercise price equal to or greater than the market price at the date of grant.

### (f) Per share amounts:

In computing loss per share, all options and warrants were excluded from the dilution calculation, as they were anti-dilutive. The weighted average number of common shares outstanding for the period ended September 30, 2019 was 350,930,080 (2018 – 344,380,080).

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## 9. Related party transactions:

Key Management Personnel:

ExGen considers key management personnel to be the officers and directors of the Company.

Total compensation to key management personnel of \$13,500 (2018 - \$13,500) consisted of consulting fees to an officer.

At September 30, 2019, accounts payable and accrued liabilities included \$8,287 which was owing to a director of the Company. (2018 - \$8,287)

Other Related Parties:

During the period ended September 30, 2019, the Company incurred a charge to a spouse of a director \$11,250 in rent (2018 - \$11,250). At September 30, 2019, accounts payable and accrued liabilities included \$63,750 (2018 - \$48,750) relating to such services.

## 10. Commitments:

During the year ended December 31, 2012, the Company raised flow-through share proceeds of \$247,354 and renounced the expenditure deductions to investors effective December 31, 2012. The Company incurred qualifying expenditures of \$9,696 in 2012 and \$77,553 in 2013. As at December 31, 2013, the remaining required expenditures of \$160,105 had not been incurred. Under the terms of the flow-through share offering, the Company has indemnified the subscribers for any taxes or penalties resulting from the shortfall. As a result, in 2013 the Company estimated and accrued a liability of \$62,439 as a result of this shortfall, and recorded a further accrual of \$16,011 for its Part XII.6 tax and related penalty. Further, during 2013, the flow through premium of \$20,040 relating to the expenditure shortfall was reversed and recognized in net loss. A further adjustment of \$5,302 was recorded during the year ended December 31, 2017 for changes in the CRA's prescribed rate of interest and interest accrued. The total amounts payable of \$111,346 (2018 - \$111,346), inclusive of estimated interest and penalties, is recorded in accounts payable and accrued liabilities.

## 11. Financial instruments and financial risk management:

The Company's financial instruments include cash, accounts receivable, marketable securities, deposits, and accounts payable and accrued liabilities.

### Fair value

Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from relevant markets.

The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity)

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## 11. Financial instruments and financial risk management (continued):

### Fair value (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily publicly-traded equity investments classified as FVTOCI securities.

### Risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adhere to market conditions. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included as applicable.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

#### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash balances, trade accounts receivable and deposits.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. Cash is held with Schedule I Canadian banks, while the deposits are held with a governmental authority. Therefore management believes the risk of loss to be minimal.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation.

As at September 30, 2019, the Company's financial liabilities were comprised of accounts payable and accrued liabilities of \$208,667, which have either contractual or expected maturities of less than one year. In order for the Company to settle its expected future obligations the Company will be required to raise funds through private placements. See note 1 for discussion of going concern.

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## 11. Financial instruments and financial risk management (continued):

### Risk management (continued)

#### (c) Market risk

Market risk consists of currency risk, commodity price risk, other price risk, and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns:

##### i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and United States dollar. As the Company has transactions that are denominated in United States dollars the Company is exposed to foreign currency exchange risk. At September 30, 2019, the Company held, disclosed in US Dollars, US cash of \$138,432 (2018 - \$136,127), US deposits of \$34,268 (2018 - \$34,268) and US accounts payable of \$2,000 (2018 - \$2,000). Every \$0.01 change in the foreign exchange rate at September 30, 2019 would have impacted net loss by \$1,707 (2018 - \$1,682).

The Company is also exposed to fluctuations in the exchange rate between the Canadian dollar and British pounds through its investment in Phoenix (see note 5). At September 30, 2019, the Company held £232,750 of Phoenix shares. Every \$0.01 change in the foreign exchange rate at September 30, 2019 would have impacted other comprehensive income by \$2,328 (2018 - \$4,487).

##### ii) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

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## 11. Financial instruments and financial risk management (continued):

### Risk management (continued)

#### (c) Market risk (continued)

##### iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is exposed to other price risk through its investments in Phoenix shares traded in an active market. A 10% change in the share price, holding other factors consistent, would impact other comprehensive income by \$37,896.

##### iv) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has no variable rate debt, however is exposed to interest rate risk on its cash or deposits. The Company did not hold any cash equivalents at September 30, 2019 and had no interest rate swap or financial contracts in place at September 30, 2019.