

TEUTON RESOURCES CORP.

Interim Condensed Financial Statements

Nine Months Ended September 30, 2019

(Expressed in Canadian dollars)

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The Company's external auditors, Manning Elliott LLP, have not performed a review of these financial statements.

TEUTON RESOURCES CORP.Interim condensed statements of financial position
(Expressed in Canadian dollars)

	September 30, 2019 \$ (unaudited)	December 31, 2018 \$
Assets		
Current assets		
Cash	980,524	222,516
Marketable securities (Note 3)	2,061,603	634,660
Amounts receivable	155,065	165,767
Prepaid expenses and deposits	12,760	666
Total current assets	3,209,952	1,023,609
Non-current assets		
Due from related party (Note 6)	118,805	113,272
Reclamation bonds	121,300	121,300
Property and equipment (Note 4)	431,298	453,162
Exploration and evaluation assets (Note 5)	3,003,210	2,934,464
Total non-current assets	3,674,613	3,622,198
Total assets	6,884,565	4,645,807
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	36,398	44,650
Due to related party (Note 6)	6,660	14,398
Total liabilities	43,058	59,048
Shareholders' equity		
Share capital	17,741,868	16,779,613
Share subscriptions received (Note 7)	15,000	—
Share-based payment reserve	1,947,349	1,801,271
Deficit	(12,862,710)	(13,994,125)
Total shareholders' equity	6,841,507	4,586,759
Total liabilities and shareholders' equity	6,884,565	4,645,807

Nature of operations and going concern (Note 1)
Subsequent event (Note 11)

Approved and authorized for issuance on behalf of the Board on November 29, 2019:

/s/ "Dino Cremonese"

Dino Cremonese, Director

/s/ "William Pfaffenberger"

William Pfaffenberger, Director

(The accompanying notes are an integral part of these interim condensed financial statements)

TEUTON RESOURCES CORP.

Interim condensed statements of operations and comprehensive income (loss)
(Expressed in Canadian dollars)
(unaudited)

	Three months ended September 30, 2019 \$	Three months ended September 30, 2018 \$	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
Expenses				
Consulting	15,000	15,000	42,500	50,500
Depreciation	4,736	6,064	14,208	16,174
Investor relations	–	7,760	2,500	16,443
Office, rent, and telephone (Note 6)	8,036	5,202	22,289	17,862
Professional fees	5,486	3,000	13,786	11,300
Salaries and benefits (Note 6)	919	–	76,913	78,011
Share-based compensation (Notes 6 and 8)	218,100	–	218,100	446,174
Transfer agent and regulatory fees	7,824	1,521	14,607	4,986
Travel	219	992	2,031	992
Total expenses	260,320	39,539	406,934	642,442
Loss before other income (expense)	(260,320)	(39,539)	(406,934)	(642,442)
Other income (expense)				
Gain on disposal of marketable securities	–	–	–	480
Interest income	311	69	876	69
Loss on write-down of equipment	–	–	(1,608)	–
Option proceeds in excess of capitalized costs	638,084	254,985	645,387	254,985
Unrealized gain (loss) on marketable securities	421,218	(217,802)	893,694	(342,356)
Total other income (expense)	1,059,613	37,252	1,538,349	(86,822)
Net income (loss) and comprehensive income (loss) for the period	799,293	(2,287)	1,131,415	(729,264)
Basic earnings (loss) per share	0.02	–	0.03	(0.02)
Diluted earnings (loss) per share	0.02	–	0.03	(0.02)
Weighted average number of common shares outstanding - basic				
	42,179,924	39,290,794	40,281,716	36,891,025
Weighted average number of common shares outstanding – diluted				
	43,131,123	39,290,794	41,232,915	36,891,025

(The accompanying notes are an integral part of these interim condensed financial statements)

TEUTON RESOURCES CORP.

Interim condensed statements of changes in equity
(Expressed in Canadian dollars)
(unaudited)

	Share capital		Share subscriptions received \$	Share-based payment reserve \$	Deficit \$	Total \$
	Number of shares	Amount \$				
Balance, December 31, 2018	39,316,881	16,779,613	–	1,801,271	(13,994,125)	4,586,759
Shares issued pursuant to private placement	3,500,000	787,483	–	–	–	787,483
Shares issued pursuant to stock options exercised	450,000	174,772	–	(72,022)	–	102,750
Shares issuable pursuant to share purchase warrants exercised	–	–	15,000	–	–	15,000
Fair value of stock options granted	–	–	–	218,100	–	218,100
Net income for the period	–	–	–	–	1,131,415	1,131,415
Balance, September 30, 2019	43,266,881	17,741,868	15,000	1,947,349	(12,862,710)	6,841,507

	Share capital		Share subscriptions received \$	Share-based payment reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
	Number of shares	Amount \$					
Balance, December 31, 2017	31,430,882	16,235,273	39,000	1,355,097	(946,222)	(12,277,271)	4,405,877
Transfer of unrealized loss on marketable securities upon adoption of IFRS 9	–	–	–	–	946,222	(946,222)	–
Shares issued pursuant to share purchase warrants exercised	7,686,000	544,340	(39,000)	–	–	–	505,340
Fair value of stock options granted	–	–	–	446,174	–	–	446,174
Net loss for the period	–	–	–	–	–	(729,264)	(729,264)
Balance, September 30, 2018	39,116,882	16,779,613	–	1,801,271	–	(13,952,757)	4,628,127

(The accompanying notes are an integral part of these interim condensed financial statements)

TEUTON RESOURCES CORP.

Interim condensed statements of cash flows
(Expressed in Canadian dollars)
(unaudited)

	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
Operating activities		
Net income (loss) for the period	1,131,415	(729,264)
Items not involving cash:		
Depreciation	14,208	16,174
Gain on disposal of marketable securities	–	(480)
Loss on write-down of equipment	1,608	–
Option proceeds in excess of capitalized costs	(645,387)	(254,985)
Share-based compensation	218,100	446,174
Unrealized gain on marketable securities	(893,693)	342,356
Changes in non-cash operating working capital:		
Amounts receivable	10,702	(11,845)
Prepaid expenses and deposits	(12,094)	(1,000)
Accounts payable and accrued liabilities	(8,252)	(10,790)
Due to/from related parties, net	(13,271)	(9,408)
Net cash used in operating activities	(196,664)	(213,068)
Investing activities		
Proceeds from disposal of marketable securities	–	480
Reclamation bonds	–	(17,000)
Exploration and evaluation asset expenditures	(356,950)	(643,890)
Mineral property option payments received/cost recoveries	406,389	393,890
Purchase of property and equipment	–	(266,513)
Net cash used in investing activities	49,439	(533,033)
Financing activities		
Proceeds from exercise of stock options	102,750	–
Proceeds from shares issued/subscriptions received	802,483	505,340
Net cash provided by financing activities	905,233	505,340
Change in cash	758,008	(240,761)
Cash, beginning of period	222,516	514,958
Cash, end of period	980,524	274,197
Non-cash investing and financing activities:		
Depreciation of property and equipment included in exploration and evaluation assets	6,048	7,367
Exploration and evaluation asset expenditures included in amounts due to related parties	–	41,132
Fair value of marketable securities received as mineral property option payments	533,250	254,749
Fair value of stock options exercised transferred from share-based payment reserve to share capital	72,022	–

(The accompanying notes are an integral part of these interim condensed financial statements)

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements

September 30, 2019

(Expressed in Canadian dollars)

(unaudited)

1. Nature of Operations and Going Concern

Teuton Resources Corp. (the "Company") is an exploration stage company and is in the business of acquiring, exploring and dealing in mineral properties in the province of British Columbia, Canada. There has been no determination whether properties held contain economically recoverable ore reserves. The Company jointly conducts business and exploration activities with another publicly listed company, Silver Grail Resources Ltd. ("Silver Grail"). Silver Grail shares office premises and consultants and has common directors. The Company's head office and principal place of business is 2130 Crescent Road, Victoria, BC, Canada. The Company is listed as a Tier 2 mining issuer on the TSX Venture Exchange ("TSX-V") under the symbol "TUO".

In the ordinary course of business, the Company sells or options property interests to third parties, accepting as consideration cash and/or securities of the acquiring party. The Company attempts to realize upon the value of securities as opportunities present themselves. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2019, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$12,862,710. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Preparation

These unaudited interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and using the accounting policies consistent with those in the audited financial statements as at and for the year ended December 31, 2018.

These unaudited interim condensed financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2018. Interim results are not necessarily indicative of the results expected for the fiscal year.

(b) Recent Accounting Pronouncements

The Company adopted the new standard IFRS 16, "Leases", effective January 1, 2019. The adoption of this standard did not have a material impact on the Company's condensed interim financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements

September 30, 2019

(Expressed in Canadian dollars)

(unaudited)

3. Marketable Securities

	December 31, 2018 Fair value \$	Additions \$	Unrealized gain \$	September 30, 2019 Fair value \$
Marketable securities	634,660	533,250	893,693	2,061,603

The Company holds equity securities in publicly traded companies. During the period ended September 30, 2019, the Company recorded an unrealized gain in the amount of \$893,693 (2018 – unrealized loss of \$342,356).

4. Property and Equipment

	Land \$	Building \$	Computer equipment \$	Field and drilling equipment \$	Furniture and equipment \$	Vehicle \$	Total \$
Cost:							
Balance, December 31, 2018	205,294	182,386	38,626	136,286	64,148	61,129	687,869
Disposals	–	–	(33,342)	(20,206)	–	(2,900)	(56,448)
Balance, September 30, 2019	205,294	182,386	5,284	116,080	64,148	58,229	631,421
Accumulated depreciation:							
Balance, December 31, 2018	–	13,210	34,322	95,838	58,710	32,627	234,707
Additions	–	6,345	681	6,047	815	6,368	20,256
Disposals	–	–	(32,063)	(20,080)	–	(2,697)	(54,840)
Balance, September 30, 2019	–	19,555	2,940	81,805	59,525	36,298	200,123
Carrying amounts:							
As at December 31, 2018	205,294	169,176	4,304	40,448	5,438	28,502	453,162
As at September 30, 2019	205,294	162,831	2,344	34,275	4,623	21,931	431,298

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements
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(Expressed in Canadian dollars)
(unaudited)

5. Exploration and Evaluation Assets

Exploration and evaluation assets consist of:

	Nine months ended September 30, 2019 \$	Year ended December 31, 2018 \$
Balance, beginning of period	2,934,464	2,758,407
Assays	419	9,923
Depreciation	6,048	33,870
Drilling	119,400	156,606
Engineering (Note 6)	34,250	32,550
Equipment rental, safety personnel, and supplies	23,691	40,355
Geological and geophysical	24,158	276,678
Helicopters	118,351	158,015
Property taxes	15,280	—
Travel and accommodation	19,940	21,061
	361,537	729,058
Claims acquired	1,461	552
BC mineral exploration tax credits	—	(137,317)
Property option and cost recoveries received	(294,252)	(416,236)
	(292,791)	(553,001)
Balance, end of period	3,003,210	2,934,464

(a) Skeena Mining Division, British Columbia

The Company owns or originally owned a 100% interest in the following properties in the Skeena Mining Division.

(i) Treaty Creek Property

On April 4, 2007, the Company entered into an option agreement with American Creek Resources Ltd. ("American Creek") whereby American Creek had the right to earn a 51% interest in the Company's Treaty Creek Property. Under the terms of the option agreement, American Creek earned a 51% interest in the Treaty Creek Property by issuing 100,000 shares and incurring exploration expenditures on the Treaty Creek Property aggregating \$5,000,000.

St. Andrew Goldfields Ltd. has a 2% net smelter return royalty ("NSR") on 24 of the 44 mineral claims included in the Treaty Creek property. A buy-back of 1% of the NSR for \$1,000,000 is exercisable at any time until six months has passed from the commencement of commercial production.

On May 10, 2016, the Company entered into a joint venture agreement with Tudor Gold Corp. ("Tudor Gold") and American Creek with respect to the Treaty Creek property. Pursuant to this joint venture agreement, Tudor Gold will issue 500,000 common shares in the capital of Tudor Gold to each of American Creek and the Company to purchase American Creek's 31% interest and the Company's 29% interest, respectively, in the property (received). Tudor Gold must also incur \$1,000,000 in exploration expenditures during the year ended December 31, 2016 (incurred).

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements

September 30, 2019

(Expressed in Canadian dollars)

(unaudited)

5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(i) Treaty Creek Property (continued)

Thereafter, Tudor Gold will hold an immediate 60% interest, and the Company and American Creek will each hold an immediate 20% interest in the joint venture. Both the Company and American Creek's interests are fully carried during the exploration period until a production notice is given. Once a production notice has been received, the Company and American Creek will each be responsible for 20% of the costs going forward under the terms of the joint venture agreement.

The Company retains a 1-2% NSR on 49% of the property with no buyback.

(ii) Bonsai Property

The Company owns a 100% interest in the Bonsai property located in the Skeena Mining Division.

(iii) Leduc Silver Property

The Company owns a 100% interest in the Leduc Silver property located in the Skeena Mining Division.

(iv) Stamp Claims

The Company owns a 100% interest in the Stamp property located in the Skeena Mining Division.

(v) Tenure #1062347

The Company owns a 100% interest in the Outlander claim representing 162 hectares located in the Skeena Mining Division known as Tenure #508269.

(vi) Four J's Claims

On August 9, 2010 and as amended on August 4, 2016 and September 22, 2017, the Company entered into an option agreement with Rotation Minerals Ltd. ("Rotation") whereby Rotation can earn an undivided 50% interest in the Four J's claims, by paying the Company a total of \$180,000 and incurring \$1,800,000 in mineral exploration expenditures as follows:

Cash consideration to be paid to the Company:

- \$20,000 to be paid within 5 business days on execution of the agreement (received);
- a further \$25,000 to be paid on or before August 9, 2011 (received);
- a further \$30,000 to be paid on or before August 9, 2012 (received);
- a further \$15,000 to be paid on or before August 9, 2016 (received);
- a further \$20,000 to be paid on or before August 9, 2017 (received);
- a further \$30,000 to be paid on or before August 9, 2018 (defaulted); and
- a further \$40,000 to be paid on or before August 9, 2019.

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements
September 30, 2019
(Expressed in Canadian dollars)
(unaudited)

5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(vi) Four J's Claims (continued)

Exploration expenditures to be incurred by Rotation:

- \$397,716 on or before September 30, 2016 (incurred);
- a further \$100,000 on or before December 31, 2016 (incurred);
- a further \$500,000 on or before December 31, 2018 (defaulted); and
- a further \$802,284 on or before December 31, 2019.

Subject to Rotation duly exercising the first option above, Rotation will be granted another option to earn an additional 20% interest in the property by performing and paying for such additional exploration work, engineering studies, and reports as may be necessary in order to deliver a feasibility study to the Company. Rotation has 60 days from the date it exercises the first option to elect to earn the additional interest pursuant to the terms of the second option. As of December 31, 2018, Rotation is in default and has determined that it would not be continuing with the option agreement.

(vii) IC2 Claim

On August 5, 2010, the Company paid \$5,000 and issued 40,000 shares to acquire an undivided 100% interest in this mineral claim. The claim is subject to a 1.5% NSR capped at \$500,000. The IC2 Claim was included in the claims optioned to Pretium Resources on July 14, 2015. Refer to Note 6(a)(xv).

(viii) Lord Nelson Claims

On October 26, 2010 and as amended November 25, 2015 and May 16, 2018, the Company entered into an agreement to option out its Lord Nelson claims to Geofine Exploration Consultants Ltd. ("GFX"). On January 12, 2016, GFX entered into a Notice of Assignment with Millrock Resources Inc. ("MRO"), whereby GFX assigned to MRO all of GFX's right, obligation, interest and liabilities as Optionee under the option agreement with the Company.

In order to earn an undivided 100% interest in the property, MRO must pay the remaining \$120,000 balance of the \$210,000 of option payments and incur the remaining \$898,405 balance of the required \$1,200,000 in exploration expenditures as follows:

Cash consideration to be paid to the Company:

- \$15,000 on or before November 1, 2016 (received);
- a further \$20,000 to be paid on or before November 1, 2017 (received);
- a further \$17,500 to be paid on or before November 1, 2018 (received);
- a further \$17,500 to be paid on or before November 1, 2019; and
- a further \$50,000 to be paid on or before November 1, 2020.

Notwithstanding the above, each of the option payment requirements shall be reduced by a \$5,000 credit each year that GFX stores the Company's core at its facility. The \$898,405 of exploration expenditures must be incurred by MRO on or before November 1, 2019 with no specific annual expenditure amounts required. The Company retains an NSR of 2%. An advance royalty of \$50,000 a year, indexed to inflation, is payable to the Company beginning in 2016 (extended to November 1, 2020).

(ix) High South Claims

On April 11, 2011, the Company issued 600,000 common shares with a fair value of \$342,000 pursuant to an agreement to purchase 12 mineral claims situated in the High South region. These claims are subject to a 2% NSR.

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements
September 30, 2019
(Expressed in Canadian dollars)
(unaudited)

5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(x) Fairweather Property

On December 15, 2015, the Company entered into an option agreement with Tudor Holdings Ltd. ("Tudor") whereby Tudor has the right to earn a 100% interest in the Company's Fairweather property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold Corp. ("Tudor Gold").

The property consists of six claims. On December 20, 2016, the Company entered into an amending agreement with Tudor Gold. To earn the 100% interest, Tudor Gold must pay a total of \$350,000 and issue 700,000 shares in the capital of Tudor Gold to the Company over five years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$50,000 and increase the number of shares to be issued by 166,667.

On July 10, 2019, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$60,000 and increase the number of shares to be issued by 150,000.

Cash consideration to be paid:

- \$30,000 to be paid upon signing of the agreement (received);
- a further \$20,000 to be paid on or before December 20, 2016 (received);
- a further \$50,000 to be paid on or before December 15, 2017 (extended to August 15, 2018);
- a further \$70,000 to be paid on or before December 15, 2019; and
- a further \$120,000 to be paid on or before December 15, 2020.

Tudor has agreed to use its commercially reasonable efforts to sell the claims in the agreement to Tudor Gold at cost. The shares of Tudor Gold will then be issued to the Company as follows:

Share consideration to be paid:

- 250,000 shares of Tudor Gold to be issued within five days of Tudor Gold receiving regulatory approval for the sale of the claims from Tudor to Tudor Gold (received);
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2016 (received);
- a further 216,667 shares of Tudor Gold to be issued within two days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received);
- a further 200,000 shares of Tudor Gold to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated July 10, 2019 (received);
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2019; and
- a further 250,000 shares of Tudor Gold to be issued on or before December 15, 2020.

The Company retains an NSR of 1.0% to 2.0% with no buyback.

(xi) Tennyson Property, British Columbia

The Company owns a 100% interest in the Tennyson gold-copper property located in the Skeena Mining Division.

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements

September 30, 2019

(Expressed in Canadian dollars)

(unaudited)

5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xii) Delta Claims

On March 1, 2016, the Company entered into an option agreement with Tudor whereby Tudor has the right to earn a 100% interest in the Company's Delta property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold. The property consists of 10 claims. To earn the 100% interest, Tudor must pay a total of \$1,000,000 to the Company over four years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$100,000 and increase the number of shares to be issued by 333,333.

On July 10, 2019, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$100,000 and increase the number of shares to be issued by 200,000.

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$100,000 to be paid on or before March 1, 2017 (received);
- a further \$100,000 to be paid on or before March 1, 2020;
- a further \$200,000 to be paid on or before March 1, 2021; and
- a further \$300,000 to be paid on or before March 1, 2022.

Share consideration to be paid:

- 333,333 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received).
- 200,000 shares to be issued within five days of Tudor receiving regulatory approval for the amended agreement dated July 10, 2019 (received).

The Company retains an NSR of 1.5 to 2.5% with no buyback.

(xiii) High North Claims

On March 1, 2016, the Company entered into an option agreement with Tudor whereby Tudor has the right to earn a 100% interest in the Company's High North property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold. The property consists of 5 claims. To earn the 100% interest, Tudor must pay a total of \$1,000,000 to the Company over four years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$100,000 and increase the number of shares to be issued by 333,333.

On July 10, 2019, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$100,000 and increase the number of shares to be issued by 200,000.

TEUTON RESOURCES CORP.

Notes to the interim condensed financial statements
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5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xii) High North Claims (continued)

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$100,000 to be paid on or before March 1, 2017 (received);
- a further \$100,000 to be paid on or before March 1, 2020;
- a further \$200,000 to be paid on or before March 1, 2021; and
- a further \$300,000 to be paid on or before March 1, 2022.

Share consideration to be paid:

- 333,333 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received); and
- 200,000 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated July 10, 2019 (received).

The Company retains an NSR of 2.5% with no buyback.

(xiv) Orion Claims

On June 1, 2016, the Company entered into an option agreement with Tudor Gold whereby Tudor Gold has the right to earn a 100% interest in the Company's Orion property located in the Skeena Mining Division. The property consists of 8 claims. To earn the 100% interest, Tudor Gold must pay a total of \$700,000 and issue 700,000 shares to the Company over five years.

On August 29, 2018, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$50,000 and increase the number of shares to be issued by 166,667.

On July 10, 2019, the Company entered into an amending agreement with Tudor Gold to reduce the total cash to be paid by \$50,000 and increase the number of shares to be issued by 125,000.

Cash consideration to be paid:

- \$50,000 to be paid upon signing of the agreement (received);
- a further \$50,000 to be paid on or before June 1, 2017 (received);
- a further \$50,000 to be paid on or before June 1, 2019;
- a further \$50,000 to be paid on or before June 1, 2020; and
- a further \$450,000 to be paid on or before June 1, 2021.

Share consideration to be paid:

- 250,000 shares to be issued within five days of Tudor Gold receiving regulatory approval for the sale of the claims from Tudor to Tudor Gold (received);
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2017 (received);
- a further 216,667 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated August 29, 2018 (received);
- a further 175,000 shares to be issued within five days of Tudor Gold receiving regulatory approval for the amended agreement dated July 10, 2019 (received);
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2020; and
- a further 250,000 shares of Tudor Gold to be issued on or before June 1, 2021.

The Company retains an NSR of 2.5% with no buyback.

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5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xv) Del Norte and Midas Properties

On September 28, 2005, the Company optioned the Del Norte Property and adjoining Midas Property to Sabina Resources Limited ("Sabina"), which later changed its name to Sabina Silver Corporation. The Del Norte property consists of 23 claims representing 8,586 hectares. The Midas property is jointly owned with Silver Grail and consists of 7 claims.

Under the terms of the option agreement, Sabina earned 50% interest in the properties by paying a total of \$240,000 and incurring exploration expenditures on the Del Norte property aggregating \$2,500,000.

Sabina has the right to acquire, on 60 days notice to the Company, an additional 15% interest in the properties by completing a feasibility study in relation to the properties. The parties would then proceed on a joint venture basis.

Silver Grail, which currently owns the Midas Property jointly with the Company, retains certain participation rights.

On July 16, 2014, the Company issued 100,000 shares to Sabina pursuant to the purchase and sale agreement with Sabina to acquire Sabina's 50% interest in the Del Norte and Midas properties. The Company owns a 100% interest in the Del Norte Property and a 75% interest in the Midas Property.

(xv) King Tut, Tuck, and Silver Crown West Claims

On July 14, 2015 and as amended on April 21, 2016, the Company entered into an option agreement with Pretium Resources Inc. ("Pretium") whereby Pretium has the right to earn a 100% interest in the Company's King Tut, Tuck, and Silver Crown West properties located in the Skeena Mining Division. The King Tut and Tuck properties are 100% owned by the Company while the Silver Crown West properties are jointly owned by the Company and Silver Grail. All three properties consist of 18 claims. To earn the 100% interest, Pretium must pay a total of \$1,800,000 to the Company over four years as follows:

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$150,000 to be paid on or before August 15, 2015, after Pretium has obtained the approval of its Board of Directors to the agreement (received);
- a further \$250,000 to be paid on or before January 14, 2016 (received);
- a further \$250,000 to be paid on or before July 14, 2016 (received);
- a further \$250,000 to be paid on or before July 14, 2017 (received);
- a further \$400,000 to be paid on or before July 14, 2018 (received); and
- a further \$400,000 to be paid on or before July 14, 2019 (received).

The Company retains an NSR of 2% with no buyback.

Concurrently, the Company and Silver Grail entered into a letter agreement with regards to the option agreement between Pretium and the Company. As the Silver Crown West property is jointly owned by the Company and Silver Grail, as consideration, \$50,000 of the option proceeds are to be applied against any outstanding debt owed from Silver Grail to the Company (the "Debt"). Silver Grail retains one-half of any NSR payable by Pretium to the Company in regards to mineral production from the Silver Crown West property. If during this process the debt has been repaid, then Silver Grail is entitled to its share of the option proceeds and NSR in cash payments.

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5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

The Company jointly owns or originally jointly owned the following properties in the Skeena Mining Division with Silver Grail:

(xvi) Clone Property

On November 28, 2005, the Company and Silver Grail entered into an option agreement with Makena Resources Inc. ("Makena") whereby Makena has the right to earn a 50% interest in Silver Grail's and the Company's jointly owned Clone property, then comprised of 9 claims. An additional 10 claims were added to the property by staking in 2006.

Under the terms of the option agreement, Makena earned 50% interest in the properties by paying a total of \$120,000 cash consideration and incurring exploration expenditures on the Clone property aggregating \$1,800,000.

On September 27, 2017 (as amended October 3, 2018), the Company and Silver Grail entered into an option agreement with Sunvest Minerals Corporation ("Sunvest"), whereby Sunvest has the right to earn the Company and Silver Grail's 50% beneficial interest in the Clone Property. To earn this interest Sunvest is to issue a total of 5,000,000 of its shares, pay a total of \$200,000, and incur exploration expenditures on the property aggregating \$1,950,000.

On October 3, 2018, the Company entered into an amending agreement with Sunvest to reduce the total cash to be paid by \$25,000 and reduce the number of shares to be issued by 1,000,000.

Cash consideration to be paid equally to the Company and Silver Grail:

- \$25,000 to be paid on execution of the agreement (received);
- a further \$75,000 (\$50,000 in cash and issuance of 500,000 shares in lieu of the remaining balance) to be paid on or before September 27, 2018 (received); and
- a further \$100,000 to be paid on or before September 27, 2019;

Shares in the common stock of Sunvest to be issued equally to the Company and Silver Grail:

- 1,500,000 shares to be issued within five business days of September 27, 2017 (received);
- a further 1,500,000 shares to be issued on or before September 27, 2018 (received); and
- a further 2,000,000 shares to be issued on or before September 27, 2019.

Exploration expenditures to be incurred by Sunvest:

- \$350,000 on or before September 27, 2018 (incurred);
- \$600,000 on or before September 30, 2019; and
- \$1,000,000 on or before September 30, 2020;

The Company and Silver Grail retain an NSR of 2%, one-half of which can be repurchased for \$1,500,000.

As of November 6, 2019, Sky will no longer pursue the option agreement to earn an interest in the Clone project signed with Silver Grail and the Company.

(xvi) Konkin Silver Property

On April 20, 2004, the Company and Silver Grail purchased a 100% interest in 2 claims representing eight units situated within the boundaries of the Konkin Silver property. In fiscal 2004, the Company issued 50,000 of its shares at a fair value of \$13,750 and paid \$10,000 to the vendor for its 50% share of the claims.

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5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xvi) Konkin Silver Property (continued)

The vendor retains a 2% NSR, one-half of which can be purchased for \$1,000,000 until 18 months following the commencement of commercial production.

(xvii) Tenure #508269

The Company owns a 50% interest in 1 claim representing 612 hectares situated in the Skeena Mining Division known as Tenure #508269. The remaining 50% interest is owned by Silver Grail.

On December 1, 2006 (as amended on February 25, 2019), the Company and Silver Grail entered into an option agreement with Decade whereby Decade has the right to earn 100% interest in the property by issuing a total of 300,000 of its shares, paying a total of \$100,000 cash, and incurring exploration expenditures on the Property aggregating \$1,500,000 as follows:

Shares in the common stock of Decade to be issued equally to the Company and Silver Grail:

- 100,000 shares to be issued on the execution of the agreement (received); and
- a further 200,000 shares to be issued on or before November 17, 2010 (received).

Cash consideration to be paid equally to the Company and Silver Grail:

- \$10,000 to be paid on execution of the agreement (received);
- a further \$15,000 to be paid on or before November 17, 2007 (received);
- a further \$20,000 to be paid on or before November 17, 2008 (received);
- a further \$25,000 to be paid on or before November 17, 2009 (received); and
- a further \$30,000 to be paid on or before November 17, 2010 (received).

Exploration expenditures to be incurred by Decade:

- \$100,000 before December 31, 2007 (incurred);
- \$300,000 in aggregate before December 31, 2008 (incurred);
- \$600,000 in aggregate before December 31, 2009 (incurred);
- \$1,000,000 in aggregate before December 31, 2010 (incurred); and
- \$1,500,000 in aggregate before December 31, 2012 (extended to December 31, 2019).

On February 15, 2019, the Company and Silver Grail agreed to extend the due date of the \$1,500,000 in aggregate exploration expenditures to be incurred by Decade to December 31, 2019 in consideration of a \$10,000 cash payment by Decade and Decade agreeing to forego the buyback of one-half of the NSR as per the terms of the option agreement.

(xviii) Bay Silver Claims

The Company owns a 50% interest in the Bay Silver property located in the Skeena Mining Division. Silver Grail owns the remaining 50% interest.

On August 16, 2018, the Company and Silver Grail entered into an agreement to option out their Bay Silver Property to Auramex Resources Corp. ("Auramex"), whereby Auramex has the right to earn an undivided 100% ownership in the property. To earn this interest, Auramex is to issue 500,000 of its shares and pay a total of \$120,000 as follows:

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5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xviii) Bay Silver Claims (continued)

Cash consideration to be paid equally to Company and Silver Grail:

- \$10,000 to be paid on execution of the agreement (received);
- a further \$15,000 to be paid on or before July 28, 2019 (received);
- a further \$20,000 to be paid on or before July 28, 2020;
- a further \$25,000 to be paid on or before July 28, 2021; and
- a further \$50,000 to be paid on or before July 28, 2022.

Common shares of Auramex to be issued equally to the Company and Silver Grail:

- 100,000 shares to be issued within three business days of regulatory approval for this agreement (received);
- a further 100,000 shares to be issued on or before July 28, 2019 (received);
- a further 100,000 shares to be issued on or before July 28, 2020;
- a further 100,000 shares to be issued on or before July 28, 2021; and
- a further 100,000 shares to be issued on or before July 28, 2022.

Upon the exercise of the option, the Company and Silver Grail will retain a 2% Net Smelter Royalty ("NSR") with an advance royalty payment of \$50,000 plus an additional increment payable according to inflation between 2018 and 2025 as measured by the Canadian Consumer Price Index ("CPI") first due from Auramex on June 28, 2025. The advance royalty will thereafter be payable yearly on July 28, as adjusted by the CPI. Auramex will have the right to purchase one-half of the Company's and Silver Grail's NSR at any time up to including ninety days after the commencement of commercial production on the property by paying \$1,000,000.

(xx) Silver Crown Property

The Company owns a 50% interest in the Silver Crown property located in the Skeena Mining Division. Silver Grail owns the remaining 50% interest.

On March 15, 2019, the Company and Silver Grail entered into an agreement to option out their Silver Crown Property to Auramex, whereby Auramex has the right to earn an undivided 100% ownership in the property. To earn this interest, Auramex is to issue 500,000 of its shares and pay a total of \$120,000 as follows:

Cash consideration to be paid equally to Company and Silver Grail:

- \$10,000 to be paid on execution of the agreement (received);
- a further \$15,000 to be paid on or before March 15, 2020;
- a further \$20,000 to be paid on or before March 15, 2021;
- a further \$25,000 to be paid on or before March 15, 2022; and
- a further \$50,000 to be paid on or before March 15, 2023.

Common shares of Auramex to be issued equally to the Company and Silver Grail:

- 100,000 shares to be issued within three business days of regulatory approval for this agreement (received);
- a further 100,000 shares to be issued on or before March 15, 2020;
- a further 100,000 shares to be issued on or before March 15, 2021;
- a further 100,000 shares to be issued on or before March 15, 2022; and
- a further 100,000 shares to be issued on or before March 15, 2023.

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5. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xx) Silver Crown Property (continued)

Upon the exercise of the option, the Company and Silver Grail will retain a 2% Net Smelter Royalty ("NSR") with an advance royalty payment of \$50,000 plus an additional increment payable according to inflation between 2019 and 2026 as measured by the Canadian Consumer Price Index ("CPI") first due from Auramex on February 28, 2026. The advance royalty will thereafter be payable yearly on February 28, as adjusted by the CPI. Auramex will have the right to purchase one-half of the Company's and Silver Grail's NSR at any time up to including ninety days after the commencement of commercial production on the property by paying \$1,000,000.

(b) Roman Property, New Westminster Mining Division, British Columbia

The Company owns a 50% interest in 8 claims located in the New Westminster Mining Division. The remaining 50% interest is owned by Silver Grail.

(c) Yellow Chris Property, Liard Mining Division, British Columbia

The Company owns a 100% interest in the Yellow Chris South Claims located in the Liard Mining Division. In 2019, the Company allowed the claims to lapse.

(d) Reclamation Bonds

Reclamation bonds are amounts pledged to the province of British Columbia for property reclamation. The bonds mature and roll over each year until the Company is released from its obligations.

6. Related Party Transactions

- (a) As at September 30, 2019, the amount of \$6,660 (December 31, 2018 – \$14,398) was owed to the President of the Company, which is non-interest bearing, unsecured and due on demand.
- (b) For the nine months ended September 30, 2019, the Company incurred salary of \$72,000 (2018 - \$72,000) and office, rent, and telephone expenses of \$7,200 (2018 – \$14,486) and engineering fees of \$34,250 (2018 - \$34,200) to the President of the Company.
- (c) For the nine months ended September 30, 2019, the Company incurred geological expense of \$15,553 (2018 - \$nil) to a former director of the Company.
- (d) The Company carries on joint exploration activity with Silver Grail, a company having directors in common with the Company. As at September 30, 2019, the Company owns 207,932 common shares in Silver Grail with a fair value of \$14,555 (December 31, 2018 - \$8,317). As at September 30, 2019, the amount of \$118,805 (December 31, 2018 – \$113,272) was owed from Silver Grail, which is non-interest bearing, secured by certain mineral properties owned jointly with the Company, and due on demand.
- (e) During the nine months ended September 30, 2019, the Company incurred share-based compensation of \$192,096 (2018 - \$446,174) to officers and directors of the Company.

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Notes to the interim condensed financial statements

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7. Share Capital

- (a) On July 24, 2019, the Company issued 3,500,000 units at \$0.225 per unit for proceeds of \$787,483. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one additional common share at a price of \$0.30 per common share expiring on July 24, 2021.
- (b) During the year ended September 30, 2019, the Company issued 450,000 common shares for proceeds of \$102,750 pursuant to the exercise of stock options. The fair value of the stock options exercised of \$72,022 was reallocated from share-based payment reserve to share capital.
- (c) As at September 30, 2019, the Company has proceeds of \$15,000 pursuant to the exercise of 50,000 share purchase warrants which is recorded in share subscriptions received.

8. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares at the time of the grant. The exercise price of each option shall not be less than the market price of the Company's stock on the date of the grant. Options granted under the plan have a maximum term of 10 years and vest as determined by the board of directors, except for options granted to consultants performing investor relations activities, which vest as to 25% three months from the grant date and 25% every three months thereafter, such that the options are 100% vested 12 months after the grant date.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2018	2,800,000	0.23
Granted	1,130,000	0.23
Exercised	(450,000)	0.23
Balance, September 30, 2019	3,480,000	0.23

Additional information regarding stock options outstanding as at September 30, 2019 is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.195	1,250,000	3.0	0.195
0.225	1,130,000	4.3	0.225
0.27	1,100,000	1.8	0.27
	3,480,000	3.2	0.23

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8. Stock Options (continued)

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Risk-free interest rate	1.45%	2.13%
Expected life (in years)	5	3.8
Expected volatility	134%	137%

The total fair value of the stock options granted during the nine months ended September 30, 2019 was \$218,100 (2018 - \$446,174) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the nine months ended September 30, 2019 was \$0.22 (\$0.16) per option.

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2018	—	—
Issued	3,500,000	0.30
Exercised	(50,000)	0.30
Balance, September 30, 2019	3,450,000	0.30

As at September 30, 2019, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
3,450,000	0.30	July 24, 2021

10. Segmented Information

The Company operates in one industry and geographic segment, the mineral resource industry with all current exploration activities conducted in Canada.

11. Subsequent Event

On November 15, 2019, the Company entered into an agreement with Gigs Capital Corp. to purchase a 50% interest in the Clone Property mineral claims located in the Eskay Creek / Stewart Region of British Columbia for \$200,000.