



**ENDURO METALS CORPORATION
(FORMERLY CRYSTAL LAKE MINING CORPORATION)**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Enduro Metals Corp. (the "Company") are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgments based on information currently available.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and reviews the condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

The condensed consolidated interim financial statements as at June 30, 2020, and for the periods ended June 30, 2020 and 2019, have not been audited or reviews by the Company's independent auditors.

"Cole Evans"

Cole Evans
President & CEO
August 31, 2020

"Malcolm Davidson"

Malcolm Davidson, CPA,CA
Chief Financial
August 31, 2020

ENDURO METALS CORPORATION
(FORMERLY CRYSTAL LAKE MINING CORPORATION)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	June 30, 2020	September 30, 2019
ASSETS		
Current		
Cash	\$ 100,322	\$ 135,986
Sales taxes receivable	55,217	330,550
Prepays expenses	164,298	214,554
Assets held for sale (Note 14)	-	2,805,000
	<u>319,837</u>	<u>3,486,090</u>
Exploration and evaluation assets (Note 3)	12,234,302	11,069,944
Land, building and equipment (Note 4)	86,721	102,669
Deposit (Note 3)	187,000	200,000
Deferred transaction costs (Note 14)	-	27,500
	<u>\$ 12,827,860</u>	<u>\$ 14,886,203</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 2,197,793	\$ 4,394,430
Due to related parties (Note 8)	691,292	99,022
Loans payable (Note 5)	281,068	263,791
Liabilities held for sale (Note 15)	-	305,000
	<u>3,170,153</u>	<u>5,062,243</u>
Flow-through premium liability	-	4,486
Loan payable (Note 5)	40,000	-
	<u>3,210,153</u>	<u>5,066,729</u>
Shareholders' equity		
Capital stock (Note 7)	35,963,707	34,825,664
Subscriptions receivable (Note 7)	-	(14,000)
Share-based payment reserve (Note 7)	4,604,135	3,740,307
Deficit	(30,950,135)	(28,732,497)
	<u>9,617,707</u>	<u>9,819,474</u>
	<u>\$ 12,827,860</u>	<u>\$ 14,886,203</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

On behalf of the Board:

"Laurence Roulston"

Director

"Cole Evans"

Director

ENDURO METALS CORPORATION
(FORMERLY CRYSTAL LAKE MINING CORPORATION)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
EXPENSES				
Amortization (Note 4)	\$ 895	\$ 2,520	\$ 4,038	\$ 7,562
Consulting and promotion	52,601	574,405	600,385	742,565
Directors fees (Note 8)	-	6,463	-	20,010
General, rent and administrative (reversal)	(2,116)	57,673	64,776	98,793
Interest on mortgage payable (Note 5)	7,405	-	22,214	-
Gain on disposal of share ownership of Sassy (Note 14)	-	-	(148,665)	-
Gain on settlement of debt	-	-	-	(3,827)
Management fees (Note 8)	30,574	101,030	195,372	250,168
Office and miscellaneous	19,018	230,774	180,664	378,403
Professional fees (Note 8)	40,448	70,751	207,110	147,600
Property investigation	-	14,000	-	14,200
Regulatory and filing fees	4,568	199,396	8,591	274,459
Other income on reversal of flow-through premium (Note 7)	(1,600)	(69,450)	(119,105)	(89,296)
Salary	386	484	1,726	1,700
Share-based compensation (Note 7 and 8)	828,603	455,187	828,603	776,077
Transfer agent fees	1,829	2,812	10,213	38,226
Travel and promotion	45,316	280,509	188,016	329,412
Realized loss on marketable securities (Note 6)	-	-	-	85,000
Write-off of accounts payable	-	-	(1,500)	(22,349)
Write-off of equipment (Note 4)	-	-	14,690	-
Write-off of receivables (Note 8)	-	-	17,309	-
Write-off of subscription receivable	-	-	-	5,430
Write-off of exploration and evaluation assets (Note 3)	-	-	143,201	-
Loss and comprehensive loss for the period	\$ (1,027,927)	\$ (1,926,554)	\$ (2,217,638)	\$ (3,054,133)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average number of common shares				
Outstanding – basic and diluted	149,907,933	99,609,428	140,861,806	83,180,918

ENDURO METALS CORPORATION
(FORMERLY CRYSTAL LAKE MINING CORPORATION)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	Number of shares	Capital stock	Subscriptions receivable	Share-based payment reserve	Equity component of convertible	Deficit	Total equity
September 30, 2018	72,446,618	\$ 24,587,270	\$ (5,430)	\$ 2,717,288	\$ 7,836	\$(18,908,082)	\$ 8,398,882
Private placements	21,556,459	5,258,587	-	-	-	-	5,258,587
Share issuance costs	-	(108,077)	-	-	-	-	(108,077)
Exercise of options	83,334	25,000	-	-	-	-	25,000
Exercise of warrants	3,289,755	856,089	5,430	-	-	-	861,519
Fair value of exercise of options	-	8,462	-	(8,462)	-	-	-
Fair value of exercise of warrants	-	5,819	-	(5,819)	-	-	-
Warrants issued as finders' fees	-	(41,937)	-	41,937	-	-	-
Flow-through share premium	-	(205,440)	-	-	-	-	(205,440)
Shares issued for mineral properties	4,000,000	1,080,000	-	-	-	-	1,080,000
Share-based compensation	-	-	-	776,077	-	-	776,077
Loss for the period	-	-	-	-	-	(3,054,133)	(3,054,133)
June 30, 2019	101,376,166	31,465,773	-	3,521,021	7,836	(21,962,215)	13,032,415
Private placements	8,680,167	2,510,103	(14,000)	309,740	-	-	2,805,843
Share issuance costs	-	(3,912)	-	-	-	-	(3,912)
Exercise of options	435,000	130,500	-	-	-	-	130,500
Exercise of warrants	400,000	140,000	-	-	-	-	140,000
Fair value of exercise of options	-	92,008	-	(92,008)	-	-	-
Warrants issued as finders' fees	-	(1,554)	-	1,554	-	-	-
Flow-through share premium	-	(32,125)	-	-	-	-	(32,125)
Shares issued for debt settlement	1,615,734	524,871	-	-	(7,836)	-	517,035
Loss for the period	-	-	-	-	-	(6,770,282)	(6,770,282)
September 30, 2019	112,507,067	34,825,664	(14,000)	3,740,307	-	(28,732,497)	9,819,474
Private placements	37,300,866	3,869,005	14,000	-	-	-	3,883,005
Share issuance costs	-	(96,118)	-	-	-	-	(96,118)
Exercise of warrants	100,000	15,000	-	-	-	-	15,000
Warrants issued as finders' fees	-	(35,225)	-	35,225	-	-	-
Flow-through share premium	-	(114,619)	-	-	-	-	(114,619)
Plan of arrangement	-	(2,500,000)	-	-	-	-	(2,500,000)
Share-based compensation	-	-	-	828,603	-	-	828,603
Loss for the period	-	-	-	-	-	(2,217,638)	(2,217,638)
June 30, 2020	149,907,933	\$ 35,963,707	\$ -	\$ 4,604,135	\$ -	\$(30,950,135)	\$ 9,617,707

ENDURO METALS CORPORATION
(FORMERLY CRYSTAL LAKE MINING CORPORATION)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
FOR THE NINE MONTHS ENDED JUNE 30

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,217,638)	\$ (3,054,133)
Item not affecting cash:		
Amortization	4,038	7,562
Interest on loans payable	-	27,674
Interest on mortgage payable	22,214	14,809
Gain on settlement of debt	-	(3,827)
Gain on dilution of share ownership of Sassy	(148,665)	-
Share-based compensation	828,603	776,077
Other income on reversal of flow-through premium	(119,105)	(89,296)
Realized loss on marketable securities	-	85,000
Write-off of accounts payable	(1,500)	(22,349)
Write-off of exploration and evaluation assets	143,201	-
Write-off of subscription receivable	-	5,430
Write-off of receivable	17,309	-
Write-off of equipment	14,690	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	275,333	(59,336)
Decrease (increase) in prepaids	36,551	(650,399)
Increase (decrease) in accounts payable and accrued liabilities	(966,963)	(10,240)
Increase (decrease) in due to related parties	70,628	(112,319)
Net cash used in operating activities	<u>(2,041,304)</u>	<u>(3,085,347)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of private placements	3,883,005	5,258,587
Proceeds from the exercise of options	-	25,000
Proceeds from the exercise of warrants	15,000	812,589
Share issuance costs	(96,118)	(108,077)
Loan received (repayment)	40,000	(6,930)
Repayment on mortgage liability	(4,937)	(12,341)
Net cash provided by financing activities	<u>3,836,950</u>	<u>5,968,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets expenditures	(1,841,530)	(3,018,422)
Equipment	(2,780)	-
Deposit	13,000	-
Marketable securities	-	90,000
Net cash used in investing activities	<u>(1,831,310)</u>	<u>(2,928,422)</u>
Change in cash for the period	(35,664)	(44,941)
Cash, beginning of period	135,986	537,241
Cash, end of period	\$ 100,322	\$ 492,300
Cash paid during the year for interest	\$ 4,937	\$ 19,746
Cash paid during the year for income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 11)

ENDURO METALS CORPORATION
(FORMERLY CRYSTAL LAKE MINING CORPORATION)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
FOR THE NINE MONTHS ENDED JUNE 30, 2020

1. NATURE AND CONTINUANCE OF OPERATIONS

Enduro Metals Corporation (formerly Crystal Lake Mining Corporation)(the “Company”) was incorporated under the Business Corporations Act (British Columbia) on July 20, 2009 and is publicly listed and traded on the TSX Venture Exchange (“TSX-V”) under the symbol ENDR. The Company is currently engaged in the identification, acquisition and exploration of precious metal resources in Canada. The Company’s head office is 202 - 1632 Dickson Avenue, Kelowna, BC V1Y 7T2, Canada. The Company’s registered and records office is located at #804 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, Canada.

On June 25, 2019, the Company entered into an arrangement agreement with its former wholly-owned subsidiary, Sassy Resources Corp. (“Sassy”). The Company transferred its Northwest Ontario nickel exploration assets to Sassy, and its LOI, to acquire the Foremore claims, by way of a plan of arrangement pursuant to the Business Corporations Act of British Columbia (Note 14).

These condensed interim consolidated financial statements have been prepared in accordance with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of capital stock and proceeds from loans payable.

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. The condensed interim consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The policies applied in the condensed interim consolidated financial statements are based on IFRS’ issued and outstanding as of August 31, 2020, the date the Board of Directors approved the condensed interim consolidated financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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FOR THE NINE MONTHS ENDED JUNE 30, 2020

2. BASIS OF PRESENTATION (con't...)

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned dormant Mexican subsidiary Minera Sierra Gic SA and its wholly owned United States subsidiary Sierra Iron Ore USA. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated upon consolidation.

Significant Accounting Judgements and Estimates

The Company's management makes judgments in its process of applying the Company's accounting policies to the preparation of its unaudited condensed consolidated interim financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the impacts on the carrying amounts of the Company's assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements for the nine months ended June 30, 2020, are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended September 30, 2019.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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FOR THE NINE MONTHS ENDED JUNE 30, 2020

3. EXPLORATION AND EVALUATION ASSETS

Period Ended June 30, 2020	Newmont Lake British Columbia, Canada	Tom Cat Claims, British Columbia, Canada	EL1 and EL5 Property, Ontario Canada	Foremore Claims, British Columbia, Canada	Total
Acquisition Costs:					
Balance, beginning of year	\$ 2,110,000	\$ 61,036	\$ -	\$ -	\$ 2,171,036
Cash payment	-	-	-	30,000	30,000
Others	6,165	-	-	-	6,165
Write-off (Note 14)	-	-	-	(30,000)	(30,000)
Balance, end of period	2,116,165	61,036	-	-	2,177,201
Deferred Exploration Costs:					
Balance, beginning of period	8,765,460	133,448	-	-	8,898,908
Assay	156,275	-	-	12,732	169,006
Consulting	290,312	22	4,766	14,654	309,755
Drilling, field work and other	294,799	-	15,000	70,867	380,666
Supplies	28,217	-	1,182	-	29,399
Travel	388,568	-	-	-	388,568
Write-off (Note 14)	-	-	(20,948)	(98,253)	(119,201)
Balance, end of period	9,923,631	133,470	-	-	10,057,101
Total	\$ 12,039,796	\$ 194,506	\$ -	\$ -	\$ 12,234,302

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FOR THE NINE MONTHS ENDED JUNE 30, 2020

3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Year Ended	Newmont Lake British Columbia, Canada	Tom Cat Claims, British Columbia, Canada	Iron Property, Ontario Canada	EL1 and EL5 Property, Ontario Canada	Property #1,2,3,4,5,7 and 8 Ontario Canada	Property #6, Ontario Canada	Foremore Claims, British Columbia, Canada	Total
September 30, 2019								
Acquisition Costs:								
Balance, beginning of year	\$ 250,000	\$ 61,036	\$ 519,174	\$ 1,600,000	\$ 3,748,500	\$ 530,000	\$ -	\$ 6,708,710
Cash payment	780,000	-	-	-	-	-	60,000	840,000
Shares issued	1,080,000	-	-	-	-	-	-	1,080,000
Write-off (Note 14)	-	-	(346,072)	(1,066,531)	(2,498,683)	(353,289)	(39,995)	(4,304,570)
Transfer to available for sale (Note 14)	-	-	(173,102)	(533,469)	(1,249,817)	(176,711)	(20,005)	(2,153,104)
Balance, end of year	2,110,000	61,036	-	-	-	-	-	2,171,036
Deferred Exploration Costs:								
Balance, beginning of year	-	92,319	444,551	1,045,962	35,000	-	-	1,617,832
Assay	453,175	1,819	-	-	-	-	8,968	463,962
Consulting	500,396	-	-	28,980	2,913	-	82,018	614,307
Drilling, field work and other	4,455,712	-	-	63,500	-	-	101,535	4,620,747
Travel and helicopters	2,668,856	5,332	-	-	-	-	-	2,674,188
Project management fees	-	33,978	-	-	-	-	-	33,978
Supplies	687,321	-	-	1,055	-	-	-	688,376
Write-off (Note 14)	-	-	(296,330)	(759,568)	(25,272)	-	(128,331)	(1,209,501)
Transfer to available for sale (Note 14)	-	-	(148,221)	(379,929)	(12,641)	-	(64,190)	(604,981)
Balance, end of year	8,765,460	133,448	-	-	-	-	-	8,898,908
Total	\$ 10,875,460	\$ 194,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,069,944

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3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Newmont Lake Claims, British Columbia

In September 2018 the Company entered into a letter agreement, approved by the TSX.V on February 22, 2019, for an option to acquire a 100% interest in the Newmont Lake mineral property from of Romios Gold Resources Inc. (“Romios”). Pursuant to the agreement, in order to complete the acquisition, the Company is required to:

- i) pay \$250,000 immediately upon signing (paid).
- ii) pay \$250,000 at 90 days following the regulatory approval (paid).
- iii) pay \$250,000 at 180 days following the regulatory approval (paid).
- iv) pay \$250,000 at 270 days following the regulatory approval (paid).
- v) pay \$1,000,000 concurrently with the Company being vested with a 100% interest in the property.
- vi) issue 4,000,000 shares upon the regulatory approval (issued at a value of \$1,080,000) (issued)
- vii) issue 4,000,000 shares on February 22, 2021.
- viii) issue 4,000,000 shares on February 22, 2022.
- ix) incur exploration expenditures of \$3,000,000 by September 20, 2019 (incurred).
- x) incur exploration expenditures of \$2,500,000 by September 19, 2020 (incurred).
- xi) incur exploration expenditures of \$2,500,000 by September 19, 2021 (incurred).
- xii) incur an underlying annual payment of \$30,000 (paid \$30,000).

The claims are subject to a 2% NSR held by Romios. Up to 1% of the NSR can be bought back by the Company in increments of 0.5% for \$2,000,000 per 0.5% (gross total \$4,000,000 for 1%) at any time by the Company upon 100% earn-in of the Romios Claims. The NSR has a 5km radius AOI beyond the claim boundaries of the Romios Claims. The Company will issue 2,000,000 shares to Romios in the event a NI 43-101 compliant resource estimate with exceeds 1,000,000 ounces of gold equivalent resources is issued under an indicated or inferred category. An additional 1,000,000 shares of the Company will be issued to Romios for each additional 1,000,000 ounces of gold equivalent resources.

As of June 30, 2020, the Company had \$187,000 (September 30, 2019 - \$200,000) as a deposit with the Ministry of Energy & Mines.

Tom Cat Claims, British Columbia

The Company owns a 100% interest in certain mining claims, known as the Tom Cat Claims, located in the Nicola Mining District, British Columbia. The claims are subject to a 2% Net Smelter Royalty (“NSR”), of which 1% may be purchased for \$2,000,000 for five years from the start of commercial production.

During the year ended September 30, 2018, the Company impaired the Tom Cat Claims by \$460,067 based on claims expired.

Iron Property, Emo, Ontario

The Company entered into a series of agreements, the last of which was finalized during the year ended September 30, 2017, to acquire the right to earn a 60% interest in the iron mineralization on the Emerald Lake Property located north of the town of Emo, Ontario.

Pursuant to the agreements, the Company paid \$65,000 in fiscal 2014, issued 2,865,625 common shares valued at \$386,859 in fiscal 2015 and issued 115,475 common shares valued at \$46,190 in fiscal 2016. In order to complete the acquisition of the 60% interest, the Company was required to pay four additional installments of \$50,000 each commencing April 15, 2016 and continuing every six months to October 17, 2017 and an additional 6,392,000 common shares on the earlier of a positive feasibility or the commencement of commercial production. The Company was also required to incur exploration expenditures of \$1,500,000 by October 15, 2017. The Company has the option to acquire an additional 32% interest in the iron ore mineralization present on the property at terms to be negotiated, plus the right of first refusal on future properties acquired by the vendor.

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Expressed in Canadian Dollars
FOR THE NINE MONTHS ENDED JUNE 30, 2020

3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Iron Property, Emo, Ontario (cont'd...)

The Company has not made the cash payments and incurred the required exploration expenditures and is consequentially not in compliance with the terms of their option agreement. The Company is in the process of negotiating an amended agreement.

During the year ended September 30, 2019, the Company entered into an arrangement agreement with Sassy and reallocated the property costs to available for sale (Note 14).

EL1 & EL5 Properties, Emo, Ontario

The Company entered into a series of agreements to acquire the right to earn a 60% interest in the EL1 & EL5 mineral exploration properties located in Emo, Ontario.

During the year ended September 30, 2018, pursuant to the latest amended agreement, the Company can earn a 60% interest in the EL1 and EL5 properties pay paying \$2,000,000 in equal instalments of \$500,000 (paid \$250,000) over a two year period. The first \$500,000 instalment is due on February 13, 2018 (paid \$250,000). The Company can increase its interest in these properties to 85% by paying Emerald Lake \$8,000,000. The option agreement is subject to a NSR on the EL1 property of 3% and EL5 property of 2%.

Prior the latest amended agreement, the Company paid \$350,000 and issued 3,500,000 common shares valued at \$980,000.

The Company has not made the cash payments and incurred the required exploration expenditures and is consequentially not in compliance with the terms of their option agreement. The Company is in the process of negotiating an amended agreement.

During the year ended September 30, 2019, the Company entered into an arrangement agreement with Sassy and reallocated the property costs to available for sale (Note 14).

Emo Ontario Properties (Property #1,2,3,4,5,7, and 8), Emo, Ontario

Right of First Refusal Agreement

On September 27, 2016, the Company entered a right of first refusal agreement (“ROFR”) with Emerald Lake to acquire 100% of eight additional claim blocks near the town of Emo, Ontario.

During the year ended September 30, 2017, the Company announced that pursuant to the ROFR, it has entered into an agreement, with Emerald Lake. The agreement provides the Company the option to 100% in the mineral rights of certain properties near Emo Ontario for determined numbers of common shares.

The Company and Emerald Lake amended the agreement several times during the year ended September 30, 2017. The amended agreement provides the Company the option to acquire any or all of the following properties near Emo Ontario for the designed numbers of common shares: Property #2 for 3,000,000 common shares, Property #5 for 3,000,000 common shares, Property #7 for 1,000,000 common shares, and Property #8 for 500,000 common shares. Any property acquired would be subject to a net smelter royalty payable to Emerald Lake.

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FOR THE NINE MONTHS ENDED JUNE 30, 2020

3. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Emo Ontario Properties (Property #1,2,3,4,5,7, and 8), Emo, Ontario (cont'd...)

During the year ended September 30, 2018, the Company agreed to purchase a 100% interest in Property #1, Property #2, Property #3, Property #4, Property #5, Property #7 and Property #8 by issuing 10,500,000 shares (valued at \$5,355,000) to Emerald Lake, subject to a 2% NSR, 1% of which may be purchased for \$1,000,000. During the year ended September 30, 2018, the TSX-V approved the agreement.

At September 30, 2018, the Company impaired Property#1, 2, 3, 4, 5, 7, and 8 by \$1,621,500 based on the claims that expired.

During the year ended September 30, 2019, the Company entered into an arrangement agreement with Sassy and reallocated the property costs to available for sale (Note 14).

Property #6, Emo, Ontario

In January 2017, pursuant to the ROFR, the Company entered into a purchase agreement, with Emerald Lake to buy a 100% interest in the mineral rights hosted by the property known as Property #6 near Emo, Ontario.

In order to complete the purchase, the Company issued 2,000,000 common shares valued at \$530,000 to Emerald Lake. A 3% of NSR shall be payable to Emerald Lake upon the commencement of commercial production.

During the year ended September 30, 2019, the Company entered into an arrangement agreement with Sassy and reallocated the property costs to available for sale (Note 14).

Foremore Claims, British Columbia

In June 2019, the Company entered into a binding letter of intent (“LOI”), subsequently amended, to acquire a 100% interest in certain mineral claims known as the Foremore claims. Pursuant to the agreement, in order to complete the acquisition, the Company is required to:

- i) pay \$10,000 within 3 business days following the execution of the LOI (paid).
- ii) pay \$50,000 at 3 business days following the regulatory approval (paid).
- iii) pay \$50,000 by Sassy on or before the first anniversary of the regulatory approval.
- iv) pay \$66,667 by Sassy on or before the second anniversary of the regulatory approval.
- v) pay \$66,667 by Sassy on or before the third anniversary of the regulatory approval.
- vi) pay \$66,667 by Sassy on or before the fourth anniversary of the regulatory approval.
- vii) issue 250,000 shares upon the completion of the arrangement agreement (Note 14).
- viii) issue 250,000 shares of Sassy on the first anniversary of the regulatory approval.
- ix) issue 250,000 shares of Sassy on the second anniversary of the regulatory approval.
- x) issue 250,000 shares of Sassy on or before the third anniversary of the regulatory approval.
- xi) issue 250,000 shares of Sassy on or before the fourth anniversary of the regulatory approval.
- xii) incur \$150,000 by Sassy on or before the first anniversary of the regulatory approval.
- xiii) incur \$150,000 by Sassy on or before the second anniversary of the regulatory approval.
- xiv) incur \$300,000 by Sassy on or before the third anniversary of the regulatory approval.
- xv) incur \$300,000 by Sassy on or before the fourth anniversary of the regulatory approval.
- xiv) incur \$300,000 by Sassy on or before the fifth anniversary of the regulatory approval.

The claims are subject to a 3% NSR and the Company’s subsidiary, Sassy, has the right to purchase back the royalty of 2% for \$2,000,000 and an additional royalty of 0.5% for \$1,000,000 (paid \$30,000).

During the year ended September 30, 2019, the Company entered into an arrangement agreement with Sassy and reallocated the property costs to available for sale assets (Note 14).

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4. **LAND, BUILDING AND EQUIPMENT**

Equipment is carried at cost less accumulated amortization. Details are as follows:

	Vehicles	Furniture and Equipment	Building ⁽¹⁾	Land ⁽¹⁾	Total
Cost					
Balance, September 30, 2018	\$ 15,000	\$ 27,819	\$ 120,000	\$ 145,290	\$ 308,109
Additions	-	-	-	-	-
Balance, September 30, 2019	15,000	27,819	120,000	145,290	308,109
Additions	-	2,780	-	-	2,780
Write-down	(15,000)	(27,819)	-	-	(42,819)
Balance, June 30, 2020	\$ -	\$ 2,780	\$ 120,000	\$ 145,290	\$ 268,070
Accumulated depreciation					
Balance, September 30, 2018	\$ 6,075	\$ 14,791	\$ 19,200	\$ -	\$ 40,066
Additions	2,678	2,606	4,800	-	10,084
Write-down	-	-	61,784	93,506	155,290
Balance, September 30, 2019	8,753	17,397	85,784	93,506	205,440
Additions	937	1,355	1,746	-	4,038
Write-down	(9,690)	(18,439)	-	-	(28,129)
Balance, June 30, 2020	\$ -	\$ 313	\$ 87,530	\$ 93,506	\$ 181,349
Carrying amounts					
Balance, September 30, 2019	\$ 6,247	\$ 10,422	\$ 34,216	\$ 51,784	\$ 102,669
Balance, June 30, 2020	\$ -	\$ 2,467	\$ 32,470	\$ 51,784	\$ 86,721

(1) Land and building are listed as collateral for the mortgage payable. (Note 5)

During the year ended September 30, 2019, the Company recognized a write-down of \$155,290 on land and building.

During the period ended June 30, 2020, the Company recognized a write down of \$14,690 on vehicles, furniture and equipment.

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5. LOANS PAYABLE

- i) During the year ended September 30, 2015, the Company entered into a \$250,000 debenture loan. The debenture matured on March 28, 2017 and bore interest at a rate of 10% per annum payable annually. The loan was convertible into common shares of the Company at a price of \$0.32 per share at any time prior to maturity.

On issuance, the loan has been classified into its separate loan liability and conversion feature equity components in the Company's financial statements using the fair value method and an effective interest rate of 12%. The liability was valued first, resulting in an initial amount of \$242,164 being allocated to the liability and \$7,836 being allocated to the conversion feature. Over the term of the loan this carrying value was accreted to the \$250,000 principal amount using the effective-interest-rate method, with an effective interest rate of 12%. During the year ended September 30, 2019, the corresponding interest and accretion of \$21,713 charged to operations. During the year ended September 30, 2019, the Company settled \$355,958 with issuance of common shares resulting a gain on debt conversion of \$4,315 (Note 7).

- ii) During the year ended September 30, 2014, the Company entered into two debenture loan agreements whereby the Company borrowed \$200,000. The loans bear simple interest at 12% per annum and were repayable by December 13, 2014. Pursuant to the agreements, the lenders had the right to convert all or any portion of the accrued interest into common shares of the Company prior to the end of the term. The loan is secured by certain assets of the Company.

During the year ended September 30, 2015, the Company settled \$100,000 of the principal debt for shares. The remaining \$100,000 of principal and interest remained unpaid. Interest continues to accrue with no additional penalties. During the year ended September 30, 2019, the Company accrued \$10,389 of interest. During the year ended September 30, 2019, the Company settled \$167,364 with issuance of common shares resulting a gain on debt conversion of \$1,972 (Note 7).

- iii) During the year ended September 30, 2014, the Company financed the acquisition of land and building with a mortgage payable of \$260,117. Mortgage was due on August 15, 2015. The mortgage is secured by land and a building in the district of Rainy River, Ontario. During the year ended September 30, 2016, the Company paid \$27,150 to reduce the mortgage payable and accrued \$29,618 in interest. During the year ended September 30, 2017, the Company paid \$22,213 to reduce the mortgage payable and accrued \$29,618 in interest. During the year ended September 30, 2018, the Company paid \$41,959 to reduce the mortgage payable and accrued \$29,618 in interest. During the year ended September 30, 2019, the Company paid \$27,150 to reduce the mortgage payable and accrued \$29,618 in interest. During the period ended June 30, 2020, the Company paid \$4,937 to reduce the mortgage payable and accrued \$22,214 in interest.

The continuity of the loan is as follows:

	June 30, 2020	September 30, 2019
Balance at beginning of the period	\$ 5,897	\$ 261,323
Accrued interest	22,214	29,618
Repayments	(4,937)	(27,150)
Balance at end of the period	\$ 261,068	\$ 263,791

- iv) During the year ended September 30, 2016, the Company received \$96,280 from the CEO of the Company, consisting of a series of non-interest bearing, unsecured advances with no fixed terms of repayment. The Company repaid \$5,000 of the amounts advanced during the year ended September 30, 2016. During the year ended September 30, 2017, the Company received \$187,700 and repaid \$67,000 and settled \$80,000 with issuance of common shares. During the year ended September 30, 2018, the Company received \$8,950 and repaid \$134,000. During the year ended September 30, 2019, the Company repaid \$6,930.

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5. LOANS PAYABLE (cont'd...)

- v) During the nine month period ended June 30, 2020, the Company received a loan of \$40,000 for the Canada Emergency Business Account to provide emergency support to business due to the impact of COVID-19. The loan is non-interest bearing until December 31, 2022, after which it will incur interest at 5% per annum. If the principal of \$30,000 is fully repaid on or before December 31, 2022, the remaining \$10,000 will be forgiven.

Total loans payable	321,068	263,791
Loan payable – long term	(40,000)	-
Total loan payable	\$ 281,068	\$ 263,791

6. MARKETABLE SECURITIES

During the year ended September 30, 2018, the Company advanced \$175,000 to acquire 2,187,500 units of Romios Gold Resources Inc. (“Romios”). The acquisition of the units completed on October 2, 2018. Each unit is comprised of one common share of Romios and warrants to acquire an additional 1,093,750 common shares of Romios exercisable at \$0.12 expiring October 2, 2019. The warrants expired unexercised during the period ended June 30, 2020.

During the year ended September 30, 2019, the Company sold all its shares in Romios for \$90,000, which resulted in a realized loss of \$85,000.

7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE

During the period ended June 30, 2020, the Company:

- i) closed a non-brokered private placement and issued 15,513,250 units at \$0.10 per unit for gross proceeds of \$1,551,325. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.15 on or before November 19, 2024. The Company issued 290,800 finder’s warrants (valued at \$11,801). Each finder’s warrant may be exercised to purchase an additional common share at a price of \$0.15 on or before November 19, 2021. The Company paid share issuance costs of \$21,080.
- ii) issued 2,557,693 flow-through units at \$0.13 per unit for gross proceeds of \$332,500. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.20 on or before November 14, 2021. The Company issued 196,615 finder’s warrants (valued at \$4,046). Each finder’s warrant may be exercised to purchase an additional common share at a price of \$0.20 on or before May 19, 2021. The Company paid share issuance costs of \$25,560.

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

- iii) closed an additional tranche of the non-brokered private placement and issued 15,477,000 units at \$0.10 per unit for gross proceeds of \$1,547,700, of which \$64,000 remains receivable. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.15 on or before December 20, 2024. The Company paid finder's fees of \$25,360 and issued 253,600 finder's warrants (valued at \$11,812). Each finder's warrant may be exercised to purchase an additional common share at a price of \$0.15 on or before December 20, 2021.

The Company also issued 1,562,000 flow-through units at \$0.13 per unit for gross proceeds of \$203,060. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.20 on or before December 19, 2021. The Company paid finder's fees of \$10,005 and issued 76,960 finder's warrants (valued at \$1,929). Each finder's warrant may be exercised to purchase an additional common share at a price of \$0.20 on or before June 19, 2021.

The Company also issued 153,923 flow-through units at \$0.13 per unit for gross proceeds of \$20,010. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.20 on or before December 20, 2021. The Company issued 12,314 finder's warrants (valued at \$308). Each finder's warrant may be exercised to purchase an additional common share at a price of \$0.20 on or before June 20, 2021. The Company paid share issuance costs of \$1,600.

- iv) closed the final tranche of the non-brokered private placement and issued 1,680,000 units at \$0.10 per unit for gross proceeds of \$168,000, of which \$58,000 received subsequently. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.15 on or before December 31, 2024. The Company paid finder's fees of \$8,800 and issued 88,000 finder's warrants (valued at \$4,469). Each finder's warrant may be exercised to purchase an additional common share at a price of \$0.15 on or before December 31, 2021.

The Company also issued 357,000 flow-through units at \$0.13 per unit for gross proceeds of \$46,410. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.20 on or before December 31, 2021. The Company paid finder's fees of \$3,713 and issued 28,560 finder's warrants (valued at \$860). Each finder's warrant may be exercised to purchase an additional common share at a price of \$0.20 on or before June 30, 2021.

- v) issued 100,000 common shares pursuant to exercise of warrants for gross proceeds of \$15,000.

During the year ended September 30, 2019, the Company:

- i) issued 518,334 common shares pursuant to exercise of options for gross proceeds of \$155,500. The Company transferred \$100,470 to capital stock from share-based payment reserve.
- ii) issued 3,689,755 common shares pursuant to exercise of warrants for gross proceeds of \$996,089. The Company transferred \$5,819 to capital stock from share-based payment reserve.

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

- iii) closed a non-brokered private placement and issued 1,428,572 flow-through common shares at \$0.35 per flow-through share for gross proceeds of \$500,000. The Company issued 100,000 finders' warrants (valued at \$16,255) exercisable at \$0.35 on or before December 20, 2020. A value of \$100,000 was attributed to the flow-through premium liability in connection with the financing. The Company expended certain of the flow-through proceeds and accordingly, recorded \$97,800 as reversal of flow-through premium during the year ended September 30, 2019 resulting in a remaining flow-through premium liability of \$2,200. The Company paid share issuance costs of \$43,149.
- iv) closed a non-brokered private placement and issued 381,000 flow-through common shares at \$0.35 per flow-through share for gross proceeds of \$133,350. The Company issued 10,570 finders' warrants (valued at \$1,718) exercisable at \$0.35 on or before December 21, 2020. A value of \$22,860 was attributed to the flow-through premium liability in connection with the financing. The Company expended certain of the flow-through proceeds and accordingly, recorded \$20,574 as reversal of flow-through premium during the year ended September 30, 2019 resulting in a remaining flow-through premium liability of \$2,286. The Company paid share issuance costs of \$3,700.
- v) closed a non-brokered private placement and issued 370,000 units at \$0.30 per unit for net proceeds of \$111,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.45 on or before December 28, 2019. The Company paid share issuance costs of \$6,608.
- vi) issued 4,000,000 shares at a value of \$1,080,000 pursuant to the acquisition of Newmont Lake Property (Note 3).
- vii) closed the first tranche of a non-brokered private placement and issued 8,488,443 units at \$0.225 per unit for proceeds of \$1,909,900. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.35 on or before March 25, 2021. The Company issued 3,200 finders' warrants (valued at \$533) exercisable at \$0.35 on or before March 25, 2021. The Company paid share issuance costs of \$20,620.
- viii) closed the second tranche of the non-brokered private placement and issued 8,827,944 units at \$0.225 per unit for proceeds of \$1,986,288. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.35 on or before March 27, 2021. The Company issued 48,000 finders' warrants (valued at \$7,442) exercisable at \$0.35 on or before March 27, 2021.

As part of the second tranche, the Company issued 1,250,000 flow-through common shares at \$0.32 per flow-through share for gross proceeds of \$400,000. The Company issued 100,000 finders' warrants (valued at \$15,989) exercisable at \$0.32 on or before March 29, 2021. A value of \$62,500 was attributed to the flow-through premium liability in connection with the financing. The Company expended the flow-through proceeds and accordingly, recorded \$62,500 as reversal of flow-through premium during the year ended September 30, 2019. The Company paid share issuance costs of \$34,000.

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

- ix) issued 200,000 flow-through units at \$0.35 per flow-through units and for gross proceeds of \$70,000. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.45 on or before March 25, 2021. A value of \$13,000 was attributed to the flow-through premium liability in connection with the financing. The Company expended the flow-through proceeds and accordingly, recorded \$13,000 as reversal of flow-through premium during the year ended September 30, 2019.
- x) issued 85,500 flow-through units at \$0.35 per flow-through units for gross proceeds of \$29,925. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.45 on or before March 27, 2021. A value of \$7,080 was attributed to the flow-through premium liability in connection with the financing. The Company expended the flow-through proceeds and accordingly, recorded \$7,080 as reversal of flow-through premium during the year ended September 30, 2019.
- xi) closed the final tranche of the non-brokered private placement and issued 525,000 units at \$0.225 per unit for gross proceeds of \$118,125. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.35 on or before April 1, 2021.
- xii) closed a non-brokered private placement and issued 2,865,834 units at \$0.35 per unit for gross proceeds of \$1,003,042. Each unit consists of one common share and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.50 on or before August 2, 2021.
- xiii) closed 725,000 flow-through units at \$0.40 per flow-through units for gross proceeds of \$290,000. Each unit consists of one common share and one-half common share purchase warrant. Each warrant may be exercisable by the holder to purchase an additional common share at a price of \$0.60 on or before August 2, 2021. A value of \$18,125 was attributed to the flow-through premium liability in connection with the financing. The Company expended the flow-through proceeds and accordingly, recorded \$18,125 as reversal of flow-through premium during the year ended September 30, 2019.
- xiv) issued 1,615,734 common shares at \$0.32 per share at a value of \$517,035 to settle debenture loans of \$523,322 resulting in a gain of \$6,287 on the settlement of debt.
- xv) closed the first tranche of the non-brokered private placement and issued 4,793,333 units at \$0.30 per unit for gross proceeds of \$1,438,000, of which \$14,000 is receivable as of September 30, 2019 and is recorded as subscriptions receivable. Each unit consists of one common share and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.35 on or before September 12, 2021.
- xvi) closed the second tranche of the non-brokered private placement and issued 246,000 units at \$0.30 per unit for gross proceeds of \$73,800. Each unit consists of one common share and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.35 on or before September 24, 2021. The Company paid share issuance costs of \$3,912 and issued 13,040 finders' warrants (valued at \$1,554) exercisable at \$0.35 on or before September 24, 2021.

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

- xvii) closed 100,000 flow-through units at \$0.35 per flow-through units for gross proceeds of \$35,000. Each unit consists of one common share and one common share purchase warrant. Each warrant may be exercisable by the holder to purchase an additional common share at a price of \$0.45 on or before September 24, 2021. A value of \$14,000 was attributed to the flow-through premium liability in connection with the financing. The Company expended the flow-through proceeds and accordingly, recorded \$14,000 as reversal of flow-through premium during the year ended September 30, 2019.
- xviii) cancelled 50,000 flow-through units at \$0.40 per flow-through units.

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

A summary of changes in options is as follows:

	Number of options	Weighted average exercise price
Outstanding and exercisable September 30, 2018	6,533,334	\$ 0.44
Granted	3,580,000	0.31
Exercised	<u>(518,334)</u>	0.30
Outstanding and exercisable September 30, 2019	9,595,000	0.30
Granted	8,900,000	0.13
Cancelled/Expired	<u>(5,680,000)</u>	0.30
Outstanding and exercisable June 30, 2020	12,815,000	\$ 0.31

The following stock options were outstanding at June 30, 2020:

Expiry Date	Exercise Price	Number of Options	Number of Options Exercisable
September 25, 2020	\$ 0.30	1,125,000	1,125,000
December 19, 2020	\$ 0.30	480,000	480,000
March 18, 2021	\$ 0.30	440,000	440,000
April 1, 2021	\$ 0.30	1,200,000	1,200,000
June 24, 2024	\$ 0.35	670,000	670,000
June 17, 2025	\$ 0.12	7,900,000	7,900,000
June 30, 2025	\$ 0.22	1,000,000	1,000,000
		<u>12,815,000</u>	<u>12,815,000</u>

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

Stock options (cont'd...)

Share-based compensation

During the period ended June 30, 2020, the Company recognized \$828,603 (September 30, 2019 - \$694,400) on options granted and vested. The weighted average fair value of each stock option granted during the period was \$0.096 (September 30, 2019 - \$0.19), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Period ended June 30, 2020	Year ended September 30, 2019
Volatility	125.97%	121.55%
Risk-free interest rate	0.37%	1.62%
Dividend yield	0.00%	0.00%
Expected life	5.00 years	2.56 years
Expected forfeiture rate	0.00%	0.00%

During the year ended September 30, 2019, the Company repriced the following 1,525,000 stock options to \$0.30 per option resulting in additional share-based compensation of \$81,677. All other terms of the stock options remain unchanged.

Expiry Date	Number of Options
December 19, 2019	250,000
January 14, 2020	750,000
September 25, 2020	525,000
	<u>1,525,000</u>

The weighted average fair value of each stock option repriced during the year ended September 30, 2019 was \$0.15, calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Year ended September 30, 2019
Volatility	102.37%
Risk-free interest rate	1.65%
Dividend yield	0.00%
Expected life	1.06 years
Expected forfeiture rate	0.00%

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

Warrants

A summary of changes in warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding September 30, 2018	7,506,640	\$ 0.44
Granted	22,976,781	0.37
Exercised	(3,689,755)	0.27
Expired	<u>(117,500)</u>	0.40
Outstanding September 30, 2019	26,676,166	0.40
Granted	38,247,715	0.16
Exercised	(100,000)	0.15
Expired	<u>(8,705,935)</u>	0.42
Outstanding June 30, 2020	56,117,946	\$ 0.23

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

Warrants (cont'd...)

The following warrants were outstanding at June 30, 2020:

Number of Warrants	Exercise Price	Expiry Date
100,000	\$ 0.35	December 20, 2020
10,570	\$ 0.35	December 21, 2020
8,091,643	\$ 0.35	March 25, 2021
100,000	\$ 0.45	March 25, 2021
8,875,944	\$ 0.35	March 27, 2021
85,500	\$ 0.45	March 27, 2021
100,000	\$ 0.32	March 29, 2021
525,000	\$ 0.35	April 1, 2021
2,307,693	\$ 0.20	May 19, 2021
184,615	\$ 0.20	May 19, 2021
8,000	\$ 0.20	May 19, 2021
76,960	\$ 0.20	June 19, 2021
12,314	\$ 0.20	June 20, 2021
28,560	\$ 0.20	June 30, 2021
1,432,917	\$ 0.50	August 2, 2021
302,500	\$ 0.60	August 2, 2021
2,396,667	\$ 0.35	September 12, 2021
139,540	\$ 0.35	September 24, 2021
100,000	\$ 0.45	September 24, 2021
250,000	\$ 0.20	November 19, 2021
100,800	\$ 0.15	November 19, 2021
1,287,000	\$ 0.20	December 19, 2021
98,800	\$ 0.15	December 19, 2021
153,923	\$ 0.20	December 20, 2021
357,000	\$ 0.20	December 31, 2021
1,680,000	\$ 0.15	December 31, 2021
88,000	\$ 0.15	December 31, 2021
11,927,000	\$ 0.15	November 19, 2024
15,297,000	\$ 0.15	December 19, 2024
56,117,946		

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7. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)

Warrants (cont'd...)

The weighted average fair value of each finder's warrant granted during the period was \$0.04 (September 30, 2019 - \$0.16), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Period ended June 30, 2020	Year ended September 30, 2019
Volatility	90.48%	124.08%
Risk-free interest rate	1.63%	1.68%
Dividend yield	0.00%	0.00%
Expected life	1.83 years	2 years
Expected forfeiture rate	0.00%	0.00%

8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers. Other than disclosed below, there was no other compensation paid to key management during the periods ended June 30, 2020 and 2019.

During the period ended June 30, 2020, the Company paid or accrued:

- i) consulting fees recorded in exploration and evaluation assets of \$603,176 (2019 - \$Nil) paid or accrued to a director and a company owned by a director and a company in which the CEO has an ownership interest;
- ii) consulting fees of \$7,500 to the former CEO of the Company;
- iii) management fees of \$195,372 (2019 - \$220,245) paid or accrued to the Chief Executive Officer and a former director of the Company;
- iv) director's fees of \$Nil (2019 - \$20,010) paid or accrued to directors and former directors of the Company;
- v) professional fees of \$53,245 (2019 - \$Nil) to a company in which the former CFO has a partnership interest.

Included in due to related parties as at June 30, 2020 is \$691,292 (September 30, 2019 - \$99,022) due to directors, a spouse of a director, former directors, companies controlled by directors and a company with common directors.

During the period ended June 30, 2020, the Company wrote off the related party's receivable from a company with common directors of \$17,308 due to uncertainty in collection. As at June 30, 2020 is \$Nil (September 30, 2019 - \$17,308) due to a company with common directors.

During the period ended June 30, 2020, the Company issued 6,800,000 stock options (September 30, 2019 - 1,310,000) to directors and officers resulting in share-based compensation of \$622,092 (September 30, 2019 - \$248,790).

During the year ended September 30, 2019, the Company paid interest of \$86,853 to a director of the Company.

9. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain sufficient funds to finance the exploration of its exploration and evaluation interests. Capital is comprised of the Company's shareholders' equity. As at June 30, 2020, the Company's shareholders' equity was \$9,617,707 (September 30, 2019 – \$9,819,474).

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended June 30, 2020.

10. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

The carrying value of the Company's receivables, accounts payable and accrued liabilities, due to related parties, and loans payable approximate their fair value because of the short-term nature of these instruments. Cash is carried at a fair value using a level 1 fair value measurement. Loans payable are accounted for using the effective interest rate method.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's management believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 20120, the Company had a cash balance of \$100,322 (September 30, 2019 - \$135,986) to settle current liabilities of \$3,170,153 (September 30, 2019 - \$5,062,243). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company expects to fund these liabilities through the use of existing cash resources and additional equity financing.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company is satisfied with the credit rating of its bank.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2020, the Company had minimal cash amounts in foreign currencies and considers foreign currency risk insignificant.

10. FINANCIAL RISK FACTORS (cont'd...)

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of commodities, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended June 30, 2020 include the Company:

- i) issued 946,849 finders' warrants at a value of \$35,225 pursuant to private placements.
- ii) attributed \$114,619 to the flow-through premium liability in connection with the financing.

At June 30, 2020, the Company had an accounts payable balance of \$2,475,047 (September 30, 2019 - \$3,009,818) related to exploration and evaluation asset expenditures.

Significant non-cash transactions during the year ended September 30, 2019 include the Company:

- i) issued 274,810 finders' warrants at a value of \$43,491 pursuant to private placements.
- ii) transferred \$100,470 from share-based payment reserve to share capital upon exercise of options.
- iii) transferred \$5,819 from share-based payment reserve to share capital upon exercise of warrants.
- iv) attributed \$237,565 to the flow-through premium liability in connection with the financing.
- v) issued 4,000,000 shares at a value of \$1,080,000 pursuant to Newmont Lake option payment.
- vi) issued 1,615,734 shares valued at \$517,035 to settle a loan payable.

12. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of exploration and evaluation assets in Canada. The Company's equipment and exploration and evaluation assets at June 30, 2020 were \$12,234,302 (September 30, 2019 - \$11,069,944).

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13. SUBSIDIARIES

Significant subsidiaries of the Company are as follows:

	Country of Incorporation	Principal Activity	Effective interest at June 30, 2020	Effective interest at September 30, 2019
Minera Sierra Gic SA	Mexico	Holding company	100%	100%
Sierra Iron Ore USA	United States	Holding company	100%	100%
Sassy Resources Corporation	Canada	Mineral exploration	Nil	100%

On October 4, 2019, the Company's effective interest in Sassy was diluted to 0.00013% and was further diluted on November 20, 2019 to 0.00011%. During the period ended June 30, 2020, the Company recorded as a gain on dilution of share ownership of Sassy of \$148,665.

14. ARRANGEMENT AGREEMENT AND ASSETS HELD FOR SALE

On June 25, 2019, the Company entered into an arrangement agreement with its wholly-owned subsidiary, Sassy to transfer its Northwest Ontario nickel exploration assets to Sassy, and its LOI, to acquire the Foremore claims, by way of a plan of arrangement pursuant to the Business Corporations Act of British Columbia. During the period ended June 30, 2020, the Company transferred the above noted exploration assets to Sassy in exchange for 10,000,000 common shares of Sassy which were distributed to the Company's shareholders. On September 30, 2019, the Company received shareholder approval of the transaction.

The disposal group reclassified for distribution to shareholders at September 30, 2019 consists of the Company's Canadian subsidiary, Sassy, and certain exploration and evaluation assets which were spun-out during the period ended June 30, 2020. The disposal group was part of the Company's only segment, which is the exploration of exploration and evaluation assets (Note 3).

During the period where Sassy was a subsidiary of the Company, management determined the assets and liabilities of Sassy to meet the definitions of assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Consequently, assets and liabilities of Sassy were classified as a disposal group.

In accordance with IFRS 5, on the reclassification of disposal groups as assets held for sale and discontinued operations, the Company remeasured the net assets of Sassy to fair value less costs of disposal. During the period ended June 30, 2020, an impairment of \$143,201 (September 30, 2019 - \$5,514,071) was recognized against exploration and evaluation assets (Note 3), which is included in loss and comprehensive loss for the period.

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14. ARRANGEMENT AGREEMENT AND ASSETS HELD FOR SALE (cont'd...)

Assets and liabilities held for sale	June 30, 2020	September 30, 2019
Cash	\$ -	\$ 45,253
Receivables	-	1,662
Exploration and evaluation assets (Note 3)	-	2,758,085
Total assets held for sale	\$ -	\$ 2,805,000
Accounts payable and accrued liabilities	\$ -	\$ 37,500
Proceeds from issuance of shares – Sassy (Note 7)	-	17,500
Special warrants - Sassy	-	250,000
Total liabilities held for sale	\$ -	\$ 305,000

The fair value of the net assets distributed was based on subsequent Sassy private placements completed at \$0.25 per share multiplied by 10,000,000 shares of Sassy Resources, which were distributed to the Company's shareholders on a pro rata basis. The Company's shareholders received 0.066708 shares of Sassy for every one common share of the Company held as at February 10, 2020.

During the period ended June 30, 2020, the Company has incurred \$27,500 in transaction costs associated with the plan of arrangement, which were recorded as a loss on dilution of share ownership of Sassy.

Special Warrants

During the year ended September 30, 2019, Sassy granted 5,000,000 special warrants at \$0.05 per warrant for gross proceeds of \$250,000. Each special warrant shall be convertible into one common share and one common share purchase warrant on a date to be determined by the board of directors of Sassy but no later than two weeks after Sassy becomes a reporting issuer. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.10 for a period of two years.

15. SUBSEQUENT EVENTS

Share Capital

Subsequent to June 30, 2020 the Company closed a private placement and issued 40,350,000 units of the Company at a price of \$0.25 per for gross proceeds of \$10,087,500. As part of the offering, the Company also issued 3,310,893 Common Shares issued on a flow-through basis at a price of \$0.33 per flow-through share for gross proceeds of \$1,092,594.69 million. Each Unit consists of one common share in the capital of the Company one Common Share purchase warrant. Each unit warrant entitles the holder to acquire an additional Common Share at a price of \$0.38/share for a period of 18 months.

Subsequent to June 30, 2020, the Company issued 4,337,150 common shares through the exercise of share purchase warrants for gross proceeds of \$623,783.