



**BASELODE**  
ENERGY

**Baselode Energy Corp.**  
(formerly Rider Investment Capital Corp. – A Capital Pool Company)

**Condensed Interim Financial Statements**  
(unaudited)

For the nine-month periods ended September 30, 2020 and 2019  
(In Canadian Dollars)

## **Management responsibility for financial reporting**

The accompanying condensed interim financial statements of Baselode Energy Corp. (the “Company” or “Baselode”) (formerly Rider Investment Capital Corp. – A Capital Pool Company) were prepared by management in accordance with International Financial Reporting Standards (“IFRS”). Management acknowledges responsibility for the preparation and presentation of the condensed interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. The significant accounting policies of the Company are summarized in Note 3 of the condensed interim financial statements.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the condensed interim financial statements and (ii) the condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of September 30, 2020 and for the periods presented by the condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### ***Management’s assessment of internal control over financial reporting (“ICFR”)***

Management is also responsible for establishing and maintaining adequate internal control over the Company’s financial reporting. The internal control system was designed to provide reasonable assurance to the Company’s management regarding the preparation and presentation of the financial statements.

*(“signed”)*  
(Stephen Stewart)  
CEO

*(“signed”)*  
(Jeffrey Potwarka)  
CFO

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

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

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

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

**Baselode Energy Corp.**  
**(formerly Rider Investment Capital Corp. – A Capital Pool Company)**  
**Condensed Interim Statements of Financial Position**  
*(expressed in Canadian dollars)*  
**As at**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Assets</b>		
Cash	\$ 494,277	\$ 220,265
Due from related party <i>(note 10)</i>	7,612	-
GST/HST receivable	23,477	-
Total current assets	525,366	220,265
<b>TOTAL ASSETS</b>	<b>\$ 525,366</b>	<b>\$ 220,265</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities <i>(note 10)</i>	\$ 119,830	\$ 11,859
Due to related party <i>(note 10)</i>	667	-
Flow-through share liability <i>(note 8)</i>	-	-
Total current liabilities	120,497	11,859
<b>TOTAL LIABILITIES</b>	<b>120,497</b>	<b>11,859</b>
<b>Shareholders' Equity</b>		
Shares to be issued <i>(note 9)</i>	110,832	-
Share capital <i>(note 9)</i>	2,045,986	281,921
Share-based payment reserve <i>(note 9)</i>	349,705	46,924
Deficit	(2,101,654)	(120,439)
Total Shareholders' Equity	404,869	208,406
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 525,366</b>	<b>\$ 220,265</b>

Nature of operations (Note 1)  
 Going concern (Note 2)  
 Commitments (Note 11)  
 Events subsequent to period end (Note 12)

**Approved by the Board:**

Signed "Stephen Stewart"  
 Director

Signed "Alex Stewart"  
 Director

*The accompanying notes are an integral part of these condensed interim financial statements.*

**Baselode Energy Corp.**  
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**Condensed Interim Statements of Net Loss and Comprehensive Loss**  
*(expressed in Canadian dollars)*

<i>(Unaudited)</i>	Nine months ended September 30, Three months ended September 30,			
	2020	2019	2020	2019
<b>Expenses</b>				
Consulting and management fees <i>(note 10)</i>	\$ 27,450	\$ -	\$ 20,000	\$ -
Exploration expenses <i>(note 5, 10)</i>	1,564,489	-	278,876	-
Office, rent and general	11,038	113	1,263	56
Professional fees <i>(note 10)</i>	88,571	6,279	2,029	-
Share-based payments <i>(note 9)</i>	198,000	-	-	-
Transfer agent, filing fees and shareholder communications	132,334	10,279	26,628	1,366
	2,021,882	16,671	328,796	1,422
<b>Loss from operations for the period</b>	<b>(2,021,882)</b>	<b>(16,671)</b>	<b>(328,796)</b>	<b>(1,422)</b>
<b>Deferred income tax recovery</b>				
Flow-through share premium renunciation	40,667	-	40,667	-
<b>Net loss and comprehensive loss</b>	<b>\$ (1,981,215)</b>	<b>\$ (16,671)</b>	<b>\$ (288,129)</b>	<b>\$ (1,422)</b>
<b>Net loss per share</b>				
Basic and diluted	\$ (0.14)	\$ (0.01)	\$ (0.02)	\$ (0.00)
Weighted average shares outstanding <i>(note 9)</i>	13,847,285	2,500,000	13,847,285	2,500,000

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**Baselode Energy Corp.**  
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**Condensed Interim Statements of Changes in Shareholders' Equity**

*(expressed in Canadian dollars)*

<i>(Unaudited)</i>	Share capital		Shares to be Issued	Share-based Payment Reserve	Deficit	Total
	Number of shares	Amount				
<b>Balance at December 31, 2018</b>	4,500,000	\$ 281,921	\$ -	\$ 46,924	\$ (91,636)	\$ 237,209
Loss for the period	-	-	-	-	(16,671)	(16,671)
<b>Balance at September 30, 2019</b>	4,500,000	281,921	-	46,924	(108,307)	220,538
Loss for the period	-	-	-	-	(12,132)	(12,132)
Share-based payments	-	-	-	-	-	-
<b>Balance at December 31, 2019</b>	4,500,000	\$ 281,921	\$ -	\$ 46,924	\$ (120,439)	\$ 208,406
<b>Balance at December 31, 2019</b>	4,500,000	\$ 281,921	\$ -	\$ 46,924	\$ (120,439)	\$ 208,406
Loss for the period	-	-	-	-	(1,981,215)	(1,981,215)
Shares issued to acquire Mann Property	17,857,143	1,250,000	-	-	-	1,250,000
Shares issued on flow-through private placement	2,033,333	244,000	-	-	-	244,000
Value of warrants issued	-	(31,000)	-	31,000	-	-
Premium allocated to flow-through shares	-	(40,667)	-	-	-	(40,667)
Shares issued on hard-dollar private placement	4,560,000	456,000	-	-	-	456,000
Value of warrants issued	-	(73,000)	-	73,000	-	-
Finders' warrants issued	-	-	-	781	-	781
Share issuance costs	-	(41,268)	-	-	-	(41,268)
Share-based payments	-	-	-	198,000	-	198,000
Shares to be issued	-	-	110,832	-	-	110,832
<b>Balance at September 30, 2020</b>	28,950,476	\$ 2,045,986	\$ 110,832	\$ 349,705	\$ (2,101,654)	\$ 404,869

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**Baselode Energy Corp.**  
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**Condensed Interim Statements of Cash Flows**  
*(expressed in Canadian dollars)*

	Nine months ended September 30		Three months ended September 30	
<i>(Unaudited)</i>	2020	2019	2020	2019
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Loss for the period	\$ (1,981,215)	\$ (16,671)	\$ (288,129)	\$ (1,422)
Items not involving cash				
Flow-through share premium renunciation	(40,667)	-	(40,667)	-
Share-based payments	198,000	-	-	-
Shares issued for exploration expenses	1,250,000	-	-	-
Changes in non-cash working capital items				
GST/HST receivable	(23,477)	-	(11,986)	-
Accounts payable and accrued liabilities	107,971	(9,843)	58,946	(4,345)
Net cash (used in) operating activities	(489,388)	(26,514)	(281,836)	(5,767)
<b>Financing activities</b>				
Issue of common shares and warrants	700,000	-	-	-
Share issue costs	(40,487)	-	-	-
Shares to be issued	110,832	-	110,832	-
Advances from related parties	667	-	(81,394)	-
Net cash provided by financing activities	771,012	-	29,438	-
<b>Investing activities</b>				
Advances to related party	(7,612)	-	(7,612)	-
Net cash (used in) investing activities	(7,612)	-	(7,612)	-
<b>Net increase (decrease) in cash</b>	274,012	(26,514)	(260,010)	(5,767)
<b>Cash, Beginning of Period</b>	220,265	247,482	754,287	226,735
<b>Cash, End of Period</b>	\$ 494,277	\$ 220,968	\$ 494,277	\$ 220,968

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**1. NATURE OF OPERATIONS**

Rider Investment Capital Corp. was incorporated under the Alberta Business Corporations Act on January 30, 2018 and was a Capital Pool Company, as defined in the Policy 2.4 of the TSX Venture Exchange. The Company was required to complete a qualifying transaction on or before two years from the date the Company received its regulatory approval, May 23, 2018. The Company entered into an agreement on February 25, 2020 to complete its qualifying transaction requirements as detailed below.

The Company issued 2,500,000 common shares for an amount of \$250,000, and on April 23, 2018, the Company's prospectus for an Initial Public Offering of the Company's common shares was accepted by the regulatory authorities. The Initial Public Offering closed on May 18, 2018 and the total of 2,500,000 common shares were issued at a price of \$0.10 per common share.

On February 25, 2020, the Company entered into an agreement to acquire the Mann Mine from QC Copper and Gold Inc. ("QC Copper") (previously named PowerOre Inc.), a company listed on the TSX Venture Exchange. In exchange for QC Copper's 100% interest in the Mann Mine, the Company issued 17,857,143 shares at an implied valuation of \$1,250,000. The purchase was an arm's length transaction and a part of and conditional upon the Company's qualifying transaction for the Company's full listing on the TSX Venture Exchange. On June 10, 2020, the Company closed the transaction with QC Copper and, as part of the closing, the Company changed its name to Baselode Energy Corp.

Baselode's principal business is the acquisition and exploration of mineral properties. To date, the Company has not earned any revenue as it is in the exploration stage. The Company's head office is located at 55 University Avenue, Suite 1805, Toronto, Ontario, M5J 2H7.

**2. GOING CONCERN**

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown as exploration and evaluation assets is dependent upon future profitable production or proceeds from the disposition of properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, social licensing requirements, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company raised funds during the period ended September 30, 2020 and will utilize these funds for its exploration programs and working capital requirements. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations. Management is also closely evaluating the impact of COVID-19 on the Company's business. In order for the Company to continue as a going concern and fund its operations, the Company will require additional financing. The availability of financing will be affected by, among other things, the state of the capital markets considering the impact of COVID-19 and strategic partnership arrangements.

As at September 30, 2020, the Company had working capital of \$404,869 (December 31, 2019 - \$208,406) and an accumulated deficit of \$2,101,654 (December 31, 2019 - \$120,439). The Company has no proven history of

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**2. GOING CONCERN (cont'd)**

performance, earnings or success. Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve-month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful. These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements. Such adjustments could be material.

The financial statements were authorized for issue on November 27, 2020 by the directors of the Company

**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

***Statement of compliance***

The condensed interim financial statements for the nine months ended September 30, 2020 were prepared in accordance with IAS 34 International Accounting Standard – “Interim Financial Reporting” (IAS 34) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) have been condensed or omitted. The significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the Corporation’s audited annual financial statements for the year ended December 31, 2019, except as disclosed under changes to significant accounting policies, and should be read in conjunction with those financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

***Basis of presentation***

The financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs.

***Functional and presentation currency***

The functional currency of the Company is determined using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company’s functional and presentation currency. The Company does not have any significant expenditures in foreign currencies.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Exchange differences are recognized in operations in the period in which they arise.

***Significant accounting judgements, estimates and assumptions***

The preparation of these condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based payments, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

*(a) Estimation of decommissioning and restoration costs and timing of expenditure*

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

The cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals.

*(b) Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

*(c) Share-based payments and warrants*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

*(d) Contingencies – Refer to Note 13*

**Exploration and evaluation expenditures**

Mineral property acquisition costs are expensed as incurred. Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All exploration expenditures are expensed as incurred.

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures incurred subsequent to this date related to development and construction are capitalized as construction-in-process and classified as a component of property, plant and equipment.

Government tax credits are recorded as a reduction to exploration expense.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Mining properties and process facility assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of mine.

**Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible non-financial assets

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss.

***Share-based payments***

The Company has adopted an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments issued at the grant date. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates market and vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The share-based payment reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in share-based payment reserve.

***Loss per share***

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All of the Company's outstanding stock options and warrants were anti-dilutive for the periods ended September 30, 2020 and 2019.

***Financial instruments***

Financial assets

*Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

*Subsequent measurement – Financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the statements of loss.

*Subsequent measurement - Financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statement of loss. The Company has no assets classified as financial assets at FVPL.

*Subsequent measurement - Financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss

*Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

*Impairment of financial assets*

The Company's has no financial assets subject to impairment.

Financial liabilities

*Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

*Subsequent measurement - financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

***Financial instruments fair value hierarchy***

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

***Income tax***

Income tax expense is comprised of both current and deferred income taxes. Income tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Flow-through share issuances***

The Company finances a portion of its exploration activities through the issue of flow-through shares issued pursuant to the Canadian Income Tax Act ("Tax Act"). Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian exploration and development expenses as defined in the Tax Act.

Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying expenditures to flow-through investors. On issuance, the Company allocates a portion of the subscription proceeds as a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a flow-through share liability. As expenditures are incurred and applied against the Company's associated flow-through commitment, the premium liability is reduced proportionately, charged as a deferred income tax recovery in operations.

***Asset retirement obligations ("ARO")***

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

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**3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in loss. The Company does not currently have any such significant legal or constructive obligations and therefore, no rehabilitation provision has been recorded as at September 30, 2020 or December 31, 2019.

**4. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS**

**Adoption of New Accounting Standards**

The adoption of the following new standards, interpretations and amendments were included in the financial statements for the year beginning January 1, 2020.

**IAS 1 – Presentation of financial statements**

An amendment to IAS 1, Presentation of Financial Statements, effective for annual periods for on or after January 1, 2020 clarifies the definition of “material” to align the definition used in the Conceptual Framework developed by the IASB and all other accounting standards. Under the amendment, information is defined as “material” if, “omitting, misstating or obscuring it could reasonably be expected to influence decisions Financial Statements 7 that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The Corporation had no material impact upon applying this amendment.

**5. EXPLORATION AND EVALUATION EXPENDITURES**

The following are details of the Company’s exploration and evaluation expenditures for the nine months ended September 30:

	2020	2019	Cumulative Since Property Inception
Mann property, Ontario	\$ 1,253,000	\$ -	\$ 1,253,000
Shadow property, Saskatchewan	311,489	-	311,489
	<b>\$ 1,564,489</b>	<b>\$ -</b>	<b>\$ 1,564,489</b>

**Mann Property**

The Company has 100% ownership of the Mann Silver-Cobalt Mine property which is in the Shining Tree district of Ontario. The Mann Property consists of 18 contiguous mining claims and The property is subject to various NSR ranging from 2% to 4% with rights to buyback of 1% of the NSR. The property was acquired as part of the qualifying transaction whereby The Company issued 17,857,143 common shares at a valuation of \$1,250,000 as consideration.

**Shadow Property**

In June 2020, the Company acquired 100% ownership of the Shadow Uranium property in the Athabasca Basin area of northern Saskatchewan, Canada. The property was acquired at the original staking cost of \$25,113 from a director of the Company and is free of any option agreement or underlying royalties.

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**5. EXPLORATION AND EVALUATION EXPENDITURES (cont'd)**

**Hook Property**

In July 2020, the Company acquired 100% ownership of the Hook Uranium property in the Athabasca Basin area of northern Saskatchewan, Canada. The property was acquired at the original staking cost of \$17,962 from a director of the Company and is free of any option agreement or underlying royalties.

**6. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns to shareholders and benefits to other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or return capital to shareholders.

There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods ended September 30, 2020 and December 31, 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

**7. FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Fair value of financial instruments***

The fair value of financial instruments approximates their carrying value due to the short-term maturity of these instruments. As at September 30, 2020 and December 31, 2019, the Company has no financial instruments to classify in the fair value hierarchy.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Amounts receivable are due from the Government of Canada and the Company believes the risk of loss related to these is remote. The Company's exposure to credit risk is on its cash held in bank accounts. Cash is held with major banks in Canada. Management assesses credit risk of cash as remote.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company strives to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. In the long-term, the Company may have to issue additional equity to ensure there is sufficient capital to meet long-term objectives.

***Currency and interest rate risk***

The Company is not exposed to any significant foreign exchange risk or interest rate risk.

***Classification of financial instruments***

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**7. FINANCIAL RISK MANAGEMENT (cont'd)**

Financial assets included in the statement of financial position are as follows:

	September 30, 2020	December 31, 2019
Financial assets at amortized costs:		
Cash	\$ 494,277	\$ 220,265
Due from related party	7,612	-
	<u>\$ 501,889</u>	<u>\$ 220,265</u>

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2020	December 31, 2019
Financial liabilities at amortized costs:		
Accounts payable and accrued liabilities	\$ 119,830	\$ 11,859
Due to related party	667	-
	<u>\$ 120,497</u>	<u>\$ 11,859</u>

**8. FLOW-THROUGH SHARE LIABILITY**

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not incurred the required exploration expenditures. In June 2020, the Company raised \$244,000 in flow-through shares and a \$40,667 flow-through liability was recorded. As expenditures are incurred, the flow-through share liability is reversed. In the nine months through September 30, 2020, the Company incurred \$244,000 in eligible exploration expenditures and \$40,667 (2019 - \$Nil) deferred income tax recovery was recorded in the statement of loss. At September 30, 2020, the flow-through share liability was \$Nil (December 31, 2019 - \$Nil).

**9. SHARE CAPITAL**

***Authorized share capital***

Unlimited number of voting common shares without par value.

***Issued share capital***

(a) On May 18, 2018, the Company completed its initial public offering (the "Offering") of 2,500,000 common shares at a purchase price of \$0.10 per common share for aggregate gross proceeds of \$250,000. In connection with the offering, the Agent received a cash commission \$25,000 and was reimbursed for legal expenses paid, a corporate finance fee and other disbursements totaling \$27,767 which have been recorded as share issue costs. In connection with the Offering, the Company also granted finder's warrants to acquire 250,000 common shares. Each warrant is exercisable to acquire one common share at a price of \$0.10 until June 10, 2022 being 24 months following the date that the common shares were listed on the TSX Venture Exchange. The valuation of the warrants was estimated at \$13,237 using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate of 1.87%, expected volatility of 100%, and an expected life of two years.

(b) During the year ended December 31, 2018, the Company issued 2,000,000 common shares at \$0.05 per common share, which are subject to an escrow agreement. The issued and outstanding common shares were held in escrow pursuant to the requirements of the TSX Venture Exchange and terms of escrow agreement and will be released from escrow in stages over a period of up to three years after the June 10, 2020 TSX Venture Exchange acceptance of the qualifying transaction. These common shares were considered contingently issuable until the Company completed its June 10, 2020 qualifying transaction and were not considered to be outstanding for purposes of the loss per share calculation until June 10, 2020.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a qualifying transaction must also be deposited in escrow pursuant to the terms of the escrow agreement.

(c) On June 3, 2020, the Company completed a non-brokered flow-through private placement of 2,033,333 units at a price of \$0.12 per unit, to raise proceeds of \$244,000. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common

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**9. SHARE CAPITAL (cont'd)**

share at \$0.17 per share, until June 3, 2022. The valuation of the warrants was estimated in the amount of \$31,000 using the Black-Scholes option pricing model. In addition, the Company received subscriptions for a non-brokered hard dollar private placement of 4,560,000 units at a price of \$0.15 per unit, to raise proceeds of \$456,000. Each unit consists of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one additional common share, at \$0.08 per share, until June 3, 2022. The valuation of the warrants was estimated in the amount of \$73,000 using the Black-Scholes option pricing model. Total aggregate private placement proceeds were \$700,000.

The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 100%, risk free interest rate of 0.32% and an expected life of 2 years. In connection with the private placements, the Company incurred cash finders' fees, legal fees and corporate finance fees of \$12,720 and also issued 30,500 finders' warrants to acquire shares at \$0.10 per share until December 3, 2021. The fair value of the finders' warrants was estimated at \$781 using the Black-Scholes option pricing model. The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 100%, risk free interest rate of 0.32% and an expected life of 1.5 years.

(d) On June 10, 2020, the Company closed an agreement to acquire the Mann Mine from QC Copper and Gold Inc., a company listed on the TSX Venture Exchange. In exchange for QC Copper and Gold Inc.'s 100% interest in the Mann Mine, the Company issued 17,857,143 shares at an implied valuation of \$1,250,000 or \$0.07 per share. The Company incurred \$27,767 in legal costs with respect to the transaction and this has been recorded as share issue costs during the nine months ended September 30, 2020.

**Shares to Be Issued**

In connection with the private placement which closed on October 16, 2020, the Company received \$110,832 as at September 30, 2020. (Note 12)

**Warrants**

A summary of the changes in the Company's warrants is set out below:

	September 30, 2020			December 31, 2019	
	Number of warrants	Weighted average exercise price	Weighted average life (years)	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	250,000	\$ 0.10	0.38	250,000	\$ 0.10
Warrants issued - flow-through dollar financing	1,016,667	0.17	1.67	-	-
Warrants issued – hard-dollar financing	2,280,000	0.15	1.67	-	-
Finders' warrants issued	30,500	0.10	1.67	-	-
Warrants outstanding, end of period	3,577,167	\$ 0.15	1.68	250,000	\$ 0.10

As at September 30, 2020, the following warrants were outstanding:

Number of warrants outstanding	Exercise Price	Expiry Date
250,000	\$0.10	June 10, 2022
1,016,667	\$0.17	June 3, 2022
2,280,000	\$0.15	June 3, 2022
30,500	\$0.10	June 3, 2022
3,577,167	\$0.15	

**Stock options**

The Board of Directors of the Company has adopted a stock option plan which permits the Company to grant to

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**9. SHARE CAPITAL (cont'd)**

directors, officers and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common shares and be exercisable for a period of up to five years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant or individual conducting investor relations activities will not exceed 2% of the issued and outstanding shares. Otherwise specified otherwise by the Board of Directors options vest on the date of grant.

On May 18, 2018, the Company granted 450,000 stock options to the directors and officers of the Company. Each option, vest immediately and is exercisable to acquire one common share at a price of \$0.10 for a period of 5 years following the date of issuance. The total fair value of \$33,687 was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, discount rate of 1.88%, expected volatility of 100%, and an expected life of 5 years. The granting of these options resulted in a share-based payment expense of \$33,687 being recorded during the year ended December 31, 2018.

On June 4, 2020, the Company granted 4,100,000 stock options to directors and officers of the Company. Each option, vest immediately and is exercisable to acquire one common share at a price of \$0.10 and a term of 5 years. These options vested immediately. The total fair value of \$198,000 was estimated using the Black-Scholes option pricing model assuming an expected life of 5 years, a risk-free interest rate of 0.48% and an expected volatility of 100%. The granting of these options resulted in a share-based payment expense of \$198,000 being recorded during the period ended September 30, 2020.

A summary of the changes in the Company's stock options is set out below:

	September 30, 2020			December 31, 2019	
	Number of options	Weighted average exercise price	Weighted average life (years)	Number of options	Weighted average exercise price
Options outstanding, beginning of period	450,000	\$ 0.10	3.38	450,000	\$ 0.10
Options granted	4,100,000	0.10	4.68	-	-
Options outstanding, end of period	4,550,000	\$ 0.10	4.47	450,000	\$ 0.10
Options exercisable, end of period	4,550,000	\$ 0.10	4.47	450,000	\$ 0.10

The following incentive stock options were outstanding and exercisable at September 30, 2020:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
450,000	450,000	\$ 0.10	May 18, 2023
4,100,000	4,100,000	\$ 0.10	June 4, 2025
4,550,000	4,550,000	\$ 0.10	

The weighted average fair value of all grants in the period ended September 30, 2020 was \$0.05 (2019 - \$Nil) per share.

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**9. SHARE CAPITAL (cont'd)**

***Share-based payment reserve***

A summary of the changes in the Company's share-based payment reserve is set out below:

	September 30, 2020	December 31, 2019
Balance – beginning of period	\$ 46,924	\$ 46,924
Value of warrants issued on hard-dollar private placements	73,000	-
Value of warrants issued on flow-through private placements	31,000	-
Value of finders' warrants	781	-
Share-based payments	198,000	-
Balance – end of period	<u>\$ 349,705</u>	<u>\$ 46,924</u>

**10. RELATED PARTY TRANSACTIONS**

***Key management personnel compensation***

Key management includes directors and officers. The remuneration of the key management of the Company during the period ended September 30, 2020 consisted of management and consulting fees of \$18,750 (2019 - \$Nil), geological exploration and acquisition costs included in exploration expenses of \$45,549 (2019 - \$Nil) and share-based compensation of \$198,000 (2019 - \$Nil).

Unless disclosed elsewhere, related party transactions for the periods ended September 30, include:

	2020	2019
Management and consulting fees	\$ 18,750	\$ -
Geological exploration and acquisition costs included in exploration expenses	45,549	-
	<u>\$ 64,299</u>	<u>\$ -</u>

The following are the balances due from (to) related party:

	September 30, 2020	December 31, 2019
Due (to) QC Copper and Gold Inc.	\$ ( 667)	\$ -
Due from Standard Ore Corporation.	<u>\$ 7,612</u>	<u>\$ -</u>

QC Copper is a public company listed on the TSX Venture Exchange. QC Copper is the parent company of Baselode and owns 17,857,143 common shares of the Company (61.7%) at September 30, 2020.

Standard Ore Corporation ("Standard Ore") is a private company incorporated in Ontario and is controlled by a director of the Company. Standard Ore provides corporate and premises rental services to the Company. The Company incurred \$6,348 (2019 - \$Nil) in such costs during the period ended September 30, 2020.

Accounts payable and accrued liabilities at September 30, 2020 includes \$3,675 (December 31, 2019 - \$Nil) owing to officers, directors and companies controlled by officers and directors.

During the nine-month period ended September 30, 2020, the Company incurred legal expenses of \$80,139 (2019 - \$5,044) and share issue costs of \$27,767 (2019 - \$Nil) with a law firm in which a former director is a partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided.

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**10. RELATED PARTY TRANSACTIONS (cont'd)**

All of amounts are unsecured, non-interest bearing with no fixed terms of repayment. The amounts are unsecured, non-interest bearing with no fixed terms of repayment

**11. COMMITMENTS AND CONTINGENCIES**

(i) On July 10, 2020, the Department of Finance Canada announced a proposal to extend the time that issuers of "flow-through shares" have to incur eligible expenditures by 12 months. This extension applies to issuers with operations that have been impacted by COVID-19 and should provide relief to mining companies that have had to change or halt their operations due to the pandemic. In June 2020, the Company received \$244,000 from the issue of flow-through shares. Through September 30, 2020, the Company expended \$244,000 in eligible exploration expenditures and, as a result, had met its flow-through obligation.

The Company has indemnified the subscribers of the flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

(ii) The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made and expects to make in the future, expenditures to comply with such laws and regulations.

**12. EVENTS SUBSEQUENT TO PERIOD END**

(a) On October 16, 2020, the Company completed a private placement totaling \$3,000,010. It consisted of:

(i) 8,076,664 Flow-Through Units at a price of \$0.26 per unit for gross proceeds of \$2,099,933, where each unit consists of one flow through common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.40 for a period of 30 months from the date of issue.

(ii) 3,461,836 Hard-Dollar Units at a price of \$0.26 per unit for gross proceeds of \$900,077, where each unit consists of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.40 for a period of 30 months from the date of issue.

In connection with the financing, the Company has issued certain arm's length finders 698,588 finders' warrants. Each finder's warrant entitles the holder, on exercise thereof, to purchase one common share at a price of \$0.26 for a period of 24 months. Also, in connection with financing the Company incurred cash finders' fees, legal expenses and other financing costs of \$182,632.

After this financing, QC Copper's ownership percentage in the Company was reduced to 44.1%

(b) Subsequent to September 30, 2020, the Company received \$42,200 from the exercise of 257,000 warrants.

(c) Since September 30, 2020, the COVID-19 pandemic is causing a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results, including the Company's ability to secure financing; however, the impact could be material.