



**NORTHERNSHIELD**  
RESOURCES INC.

*(An Exploration Stage Company)*

***Condensed Interim Consolidated Financial Statements***

(unaudited and expressed in Canadian Dollars)

*For the three and nine-month periods ended September 30, 2019 and 2018*

[Note: an auditor has not reviewed these unaudited interim financial statements.]



## **Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30, 2019  
and 2018

*(unaudited and expressed in Canadian Dollars)*

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|  | <u>PAGE</u> |
|--|-------------|
| Consolidated Statements of Comprehensive Loss  | 1           |
| Consolidated Statements of Financial Position  | 2           |
| Consolidated Statements of Cash Flows          | 3           |
| Consolidated Statements of Changes in Equity   | 4           |
| Notes to the Consolidated Financial Statements | 5 - 18      |



**NORTHERN SHIELD RESOURCES INC.**  
**(An Exploration Stage Company)**  
**Condensed Interim Statements of Comprehensive Loss**  
**for the three and nine-month periods ended September 30, 2019 and 2018**  
*(unaudited and expressed in Canadian Dollars)*

|   | <b>September 30,<br/>2019</b> | September 30,<br>2018 | <b>September 30,<br/>2019</b> | September 30,<br>2018 |
|---|-------------------------------|-----------------------|-------------------------------|-----------------------|
|   | <b>(3 months)</b>             | (3 months)            | <b>(9 months)</b>             | (9 months)            |
|   | <b>(Unaudited)</b>            | (Unaudited)           | <b>(Unaudited)</b>            | (Unaudited)           |
| Expenses  |                               |                       |                               |                       |
| Expensed exploration (Note 8)                         | \$ 2,823                      | \$ 7,113              | \$ 64,690                     | \$ 395,615            |
| General and administrative (Note 8)                   | 181,990                       | 211,074               | 564,694                       | 637,290               |
| Stock-based compensation (Note 3)                     | -                             | -                     | 276,000                       | -                     |
| Loss before other income (expenses)                   | <b>(184,813)</b>              | (218,187)             | <b>(905,384)</b>              | (1,032,905)           |
| Other income  | 16,800                        | 158,743               | 42,365                        | 160,149               |
| Interest income                                       | -                             | 3,266                 | 38                            | 3,266                 |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b> | <b>(168,013)</b>              | (56,178)              | <b>(862,981)</b>              | (869,490)             |
| Weighted average common shares outstanding            | <b>219,323,608</b>            | 205,444,921           | <b>211,338,072</b>            | 205,358,108           |
| Basic and diluted loss per share (Note 4)             | <b>\$ (0.00)</b>              | \$ (0.00)             | <b>\$ (0.00)</b>              | \$ (0.00)             |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

APPROVED BY THE BOARD

Ian C. Bliss, Director

Russell M. Richards, Director



**NORTHERN SHIELD RESOURCES INC.**  
**(An Exploration Stage Company)**  
**Condensed Interim Statements of Financial Position**  
as at September 30, 2019 and December 31, 2018  
*(unaudited and expressed in Canadian Dollars)*

|  | September 30,<br>As at 2019<br>(unaudited) | December 31,<br>2018<br>(unaudited) |
|--|--|-------------------------------------|
| <b>CURRENT ASSETS</b>                            |  |                                     |
| Cash   | \$ 64,006                                  | \$ 39,011                           |
| Amounts receivable                               | 35,809                                     | 52,414                              |
| Subscriptions receivable                         | -  | 200,000                             |
| Prepaid expenses                                 | 36,327                                     | 6,942                               |
|  | <b>136,142</b>                             | <b>298,367</b>                      |
| INVESTMENT IN SHARES                             | 833  | 833                                 |
| MINERAL PROPERTIES (Note 5)                      | 1,919,379                                  | 1,452,274                           |
| PROPERTY AND EQUIPMENT (Note 6)                  | 197,542                                    | 92,239                              |
|  | <b>\$ 2,253,896</b>                        | <b>\$ 1,843,713</b>                 |
| <b>CURRENT LIABILITIES</b>                       |  |                                     |
| Accounts payable and accrued liabilities         | \$ 197,774                                 | \$ 155,986                          |
| Current portion of lease obligation (Note 11)    | 63,940                                     | -                                   |
| Deferred flow-through premium liability (Note 7) | 23,006                                     | 48,572                              |
|  | <b>284,720</b>                             | <b>204,558</b>                      |
| NON-CURRENT LIABILITIES (Note 11)                |  |                                     |
| LEASE OBLIGATION                                 | 59,037                                     | -                                   |
|  | <b>343,757</b>                             | <b>204,558</b>                      |
| <b>SHAREHOLDERS' EQUITY</b>                      |  |                                     |
| Share capital (Note 3)                           | 27,124,640                                 | 25,622,767                          |
| Reserves   | 4,504,298                                  | 4,872,206                           |
| Deficit  | (29,718,799)                               | (28,855,818)                        |
|  | <b>1,910,139</b>                           | <b>1,639,155</b>                    |
|  | <b>\$ 2,253,896</b>                        | <b>\$ 1,843,713</b>                 |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



**NORTHERN SHIELD RESOURCES INC.**  
**(An Exploration Stage Company)**  
**Condensed Interim Statements of Cash Flows**  
for the nine-month periods ended September 30, 2019 and 2018  
*(unaudited and expressed in Canadian Dollars)*

|   | <b>September 30,<br/>2019</b> | September 30,<br>2018 |
|---|-------------------------------|-----------------------|
|   | <b>(9 months)</b>             | (9 months)            |
|   | <b>(Unaudited)</b>            | (Unaudited)           |
| <b>NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS<br/>RELATED TO THE FOLLOWING ACTIVITIES:</b> |                               |                       |
| <b>OPERATING</b>  |                               |                       |
| Net loss  | \$ (862,981)                  | \$ (869,490)          |
| Items not affecting cash and cash equivalents   |                               |                       |
| Amortization - administrative   | 52,802                        | 9,414                 |
| Stock-based compensation  | 276,000                       | -                     |
| Recognition of flow-through premium   | (25,566)                      | (8,386)               |
| Changes in non-cash operating working capital items:  |                               |                       |
| Unbilled receivables  | -                             | 111,022               |
| Amounts receivable  | 16,605                        | (13,216)              |
| Prepaid expenses  | (29,385)                      | 321                   |
| Accounts payable and accrued liabilities  | 41,788                        | (9,550)               |
| Expensed exploration  | 64,690                        | 395,615               |
| Interest Income   | (38)                          | (3,266)               |
|   | <b>(466,085)</b>              | <b>(387,536)</b>      |
| <b>INVESTING</b>  |                               |                       |
| Expenditures on mineral properties  | (531,795)                     | (404,397)             |
| Purchase of property, plant and equipment   | (164,270)                     | -                     |
| Amortization charged to exploration   | 6,165                         | 7,569                 |
|   | <b>(689,900)</b>              | <b>(396,828)</b>      |
| <b>FINANCING</b>  |                               |                       |
| Interest received   | 38                            | 3,266                 |
| Issuance of share capital, net of issuance costs  | 1,057,965                     | 9,000                 |
| Lease obligation  | 122,977                       | -                     |
|   | <b>1,180,980</b>              | <b>12,266</b>         |
| <b>NET CASH AND CASH EQUIVALENTS INFLOW</b>   | <b>24,995</b>                 | <b>(772,098)</b>      |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>   | <b>39,011</b>                 | <b>1,101,275</b>      |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>   | <b>\$ 64,006</b>              | <b>\$ 329,177</b>     |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



**NORTHERN SHIELD RESOURCES INC.**  
**(A Development Stage Company)**  
 Condensed Interim Statements of Changes in Equity  
 for the nine-month periods ended September 30, 2019 and 2018  
*(unaudited and expressed in Canadian dollars)*

|   | <b>Share Capital</b> |                   | <b>Reserves</b>      |                |                     | <b>Total</b>     |
|---|----------------------|-------------------|----------------------|----------------|---------------------|------------------|
|   | Number of Shares     | Amount            | Share-based Payments | Warrants       | Deficit             |                  |
| <b>Balance at January 1, 2018</b>       | <b>205,144,921</b>   | <b>25,422,829</b> | <b>4,135,623</b>     | <b>778,810</b> | <b>(27,603,643)</b> | <b>2,733,619</b> |
| Shares issued for property options      | 300,000              | 9,000             | -                    | -              | -                   | 9,000            |
| Loss for the period                     | -                    | -                 | -                    | -              | (869,490)           | (869,490)        |
| <b>Balance at September 30, 2018</b>    | <b>205,444,921</b>   | <b>25,431,829</b> | <b>4,135,623</b>     | <b>778,810</b> | <b>(28,473,133)</b> | <b>1,873,129</b> |
| Shares issued for property options      | 200,000              | 11,000            | -                    | -              | -                   | 11,000           |
| Shares issued by flow-through placement | 2,761,903            | 200,000           | -                    | -              | -                   | 200,000          |
| Share issue costs                       | -                    | (13,717)          | -                    | -              | -                   | (13,717)         |
| Flow-through premium liability          | -                    | (48,572)          | -                    | -              | -                   | (48,572)         |
| Expiry of warrants                      | -                    | 42,227            | -                    | (42,227)       | -                   | -                |
| Loss for the period                     | -                    | -                 | -                    | -              | (382,685)           | (382,685)        |
| <b>Balance at December 31, 2018</b>     | <b>208,406,824</b>   | <b>25,622,767</b> | <b>4,135,623</b>     | <b>736,583</b> | <b>(28,855,818)</b> | <b>1,639,155</b> |
| Shares issued for property option       | 650,000              | 58,500            | -                    | -              | -                   | 58,500           |
| Shares issued for cash                  | 10,920,833           | 770,333           | -                    | -              | -                   | 770,333          |
| Allocation of value of warrants         | -                    | (92,675)          | -                    | 92,675         | -                   | -                |
| Shares issued by flow-through placement | 420,000              | 50,400            | -                    | -              | -                   | 50,400           |
| Flow-through premium liability          | -                    | (16,800)          | -                    | -              | -                   | (16,800)         |
| Share issue costs                       | -                    | (4,468)           | -                    | -              | -                   | (4,468)          |
| Share-based compensation                | -                    | -                 | 276,000              | -              | -                   | 276,000          |
| Expiry of warrants                      | -                    | 736,583           | -                    | (736,583)      | -                   | -                |
| Loss for the period                     | -                    | -                 | -                    | -              | (862,981)           | (862,981)        |
| <b>Balance at September 30, 2019</b>    | <b>220,397,657</b>   | <b>27,124,640</b> | <b>4,411,623</b>     | <b>92,675</b>  | <b>(29,718,799)</b> | <b>1,910,139</b> |

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
*(unaudited and expressed in Canadian Dollars)*

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Shield Resources Inc. (the "Company" or "Northern Shield"), an exploration stage company, incorporated under the *Canada Business Corporations Act*, is a natural resource company engaged in the business of identifying, acquiring and exploring mineral properties located primarily in Quebec and Nova Scotia.

Exploration on the Company's Shot Rock property in Nova Scotia is conducted through the Company's wholly owned subsidiary, Seaborne Resources ("Seaborne").

The Company's head office is situated at Suite 500, 55 Metcalfe Street, Ottawa, Ontario. The Company's shares trade on the TSX Venture Exchange under the symbol NRN.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 27, 2019.

#### *Going concern*

These unaudited consolidated interim financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. For the nine-month period ended September 30, 2019, the Company incurred a loss of \$862,981 and had negative cash flows from operations of \$466,085. At the end of the period it had an accumulated deficit of \$29,718,799.

These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company is currently looking to raise additional financing. Should this financing not materialize and profitable operations ultimately not be attained, this may cast doubt as to the Company's ability to continue as a going concern. Actual realization values may be substantially different from carrying values as shown in the Consolidated financial statements and the Company's ability to discharge its liabilities in the normal course of business may be in doubt should the Company be unable to continue as a going concern.

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30, 2019 & 2018  
*(unaudited and expressed in Canadian Dollars)*

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### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Preparation and Consolidation***

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2018.

#### ***New Accounting Policies***

The Company has retroactively adopted IFRS 16 – Leases (“IFRS 16”) effective January 1, 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate set as the incremental borrowing rate at commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
(unaudited and expressed in Canadian Dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

See note 11.

#### ***Use of Judgments and Estimates***

In preparing these interim financial statements, management has made judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018.



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
*(unaudited and expressed in Canadian Dollars)*

### 3. SHARE CAPITAL

#### *Authorized and Issued*

An unlimited number of voting common shares are authorized for issue and, subject to priority rights of other share classes, are entitled to receive dividends when and if declared by the Board of Directors. There were 220,397,657 voting common shares issued and outstanding at September 30, 2019 (208,406,824 at December 31, 2018).

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at September 30, 2019 (none at December 31, 2018).

During the nine-month period ended September 30, 2019, the Company completed non-brokered private placements for gross proceeds of \$770,333 by issuing 10,920,833 units at an average of \$0.071 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. A value of \$92,675 was ascribed to the warrants.

During the nine-month period ended September 30, 2019, 650,000 shares, valued at \$58,500, were issued as consideration for maintaining certain property options.

During the nine-month period ended September 30, 2019, 420,000 flow-through shares were issued at \$0.12 per share, for gross proceeds of \$50,400. A value of \$16,800 was ascribed to flow-through premium and recorded as a liability.

During the nine-month period ended September 30, 2019, a total of \$4,468 of share issue expenses were incurred (2018 – nil).

#### *Warrants*

The following continuity summarizes the Company's outstanding warrant obligations over the period covered by these financial statements:

|                                    | <u>Quantity</u>  | <u>Weighted Average<br/>Exercise Price</u> |
|------------------------------------|------------------|--|
| <b>Balance, December 31, 2018</b>  | <b>5,646,664</b> | <b>\$ 0.24</b>                             |
| Issued during the period           | 7,054,167        | \$ 0.13                                    |
| Expired during the period          | (5,646,664)      | \$ 0.24                                    |
| <b>Balance, September 30, 2019</b> | <b>7,054,167</b> | <b>\$ 0.13</b>                             |



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
(unaudited and expressed in Canadian Dollars)

### 3. SHARE CAPITAL (continued)

Additional information regarding warrants outstanding at period-ends:

| <u>Issue Date</u>                       | <u>Exercise Price</u> | <u>Quantity</u>  | <u>Expiry Date</u> |
|---|-----------------------|------------------|--------------------|
| <b><i>As at September 30, 2019:</i></b> |                       |                  |                    |
| March 4, 2019                           | \$ 0.10               | 2,066,667        | March 4, 2021      |
| June 21, 2019                           | \$ 0.14               | 1,800,000        | June 21, 2021      |
| July 31, 2019                           | \$ 0.14               | 3,187,500        | July 31, 2021      |
|   |                       | <b>7,054,167</b> |                    |
| <b><i>As at December 31, 2018:</i></b>  |                       |                  |                    |
| June 30, 2016                           | \$ 0.22               | 3,125,000        | July 1, 2019       |
| July 16, 2016                           | \$ 0.22               | 1,385,300        | July 16, 2019      |
| September 12, 2016                      | \$ 0.30               | 1,136,364        | September 12, 2019 |
|   |                       | <b>5,646,664</b> |                    |

#### *Stock options*

The Company has established a Stock Option Plan (the "Plan") to develop the interest and incentive of eligible employees, directors and consultants in the Company's growth and development. The aggregate number of share options which may be issued and outstanding at any time under this plan shall not exceed 10% of the total number of issued and outstanding shares of the Company unless the Company receives the permission of the TSX Venture Exchange and its shareholders. As at September 30, 2019, 22,039,766 common share options were authorized to be issued and outstanding under the Plan (December 31, 2018 – 20,840,682). Stock options are granted with an exercise price equal to the underlying common stock's fair market value at the time of grant.

Once vested, options may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the option holder ceases to be a director, officer, employee or consultant of the Company.

The following summarizes the Company's outstanding option obligations over the period covered by these financial statements:

|                                   | <u>Quantity</u>   | <u>Weighted Average<br/>Exercise Price</u> |
|-----------------------------------|-------------------|--|
| <b>Balance, December 31, 2018</b> | <b>12,150,000</b> | <b>\$ 0.13</b>                             |
| Options issued                    | 4,000,000         | \$ 0.10                                    |
| <b>Balance, June 30, 2019</b>     | <b>16,150,000</b> | <b>\$ 0.13</b>                             |

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
(unaudited and expressed in Canadian Dollars)

### 3. SHARE CAPITAL (continued)

At September 30, 2019, the remaining pool of options available for grant was 5,889,766 (December 31, 2018 – 8,690,682).

Detail of options outstanding at September 30, 2019 and December 31, 2018:

| <u>Issue Date</u>                       | <u>Exercise Price</u> | <u>Quantity</u>          | <u>Expiry Date</u> | <u>Exercisable</u>       |
|---|-----------------------|--------------------------|--------------------|--------------------------|
| <b><u>As at September 30, 2019:</u></b> |                       |                          |                    |                          |
| June 10, 2016                           | \$ 0.16               | 6,450,000                | June 10, 2021      | 6,450,000                |
| July 15, 2016                           | \$ 0.17               | 350,000                  | July 15, 2021      | 350,000                  |
| June 30, 2017                           | \$ 0.10               | 5,350,000                | June 30, 2022      | 5,350,000                |
| June 25, 2019                           | \$ 0.10               | 4,000,000                | June 25, 2024      | 4,000,000                |
|   |                       | <b><u>16,150,000</u></b> |                    | <b><u>16,150,000</u></b> |
| <b><u>As at December 31, 2018:</u></b>  |                       |                          |                    |                          |
| June 10, 2016                           | \$ 0.16               | 6,450,000                | June 10, 2021      | 6,450,000                |
| July 15, 2016                           | \$ 0.17               | 350,000                  | July 15, 2021      | 350,000                  |
| June 30, 2017                           | \$ 0.10               | 5,350,000                | June 30, 2022      | 5,350,000                |
|   |                       | <b><u>12,150,000</u></b> |                    | <b><u>12,150,000</u></b> |

#### *Share-based compensation*

The Black-Scholes option pricing model, used by the Company to calculate option values, was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, summarized in the table below.

| <b><u>Assumptions</u></b> | <b><u>2019</u></b> | <b><u>2018</u></b> |
|---------------------------|--------------------|--------------------|
| Lifetime                  | 5 years            | n/a                |
| Interest Rate             | 1.40%              | n/a                |
| Annual Volatility         | 107%               | n/a                |
| Dividends                 | none               | n/a                |

During the nine-month period ended September 30, 2019 the Company incurred an expense of \$276,000 relating to options granted and vested during the period. The entire amount was attributable to the General and Administration function (2018 - nil).

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
(unaudited and expressed in Canadian Dollars)

### 4. LOSS PER SHARE

The treasury stock method is used for the calculation of diluted loss per share. Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. As the Company has recorded a loss in each of the years presented, the following table presents the anti-dilutive effect of securities excluded from the loss per share computation for the six-month periods ended September 30, 2019 and 2018:

|                         | 2019              | 2018              |
|-------------------------|-------------------|-------------------|
| Stock options           | 16,150,000        | 12,150,000        |
| Stock purchase warrants | 7,054,167         | 6,070,486         |
|                         | <b>23,204,167</b> | <b>13,120,486</b> |

### 5. MINERAL PROPERTIES

The following table summarizes the exploration expenditures incurred on each of the Company's mineral properties:

|                              | QC<br>Idex | QC<br>Huckleberry | QC<br>Séquoï | QC<br>Sé2  | NS<br>Shot Rock | NL<br>Root&Cellar | Other     | Total        |
|------------------------------|------------|-------------------|--------------|------------|-----------------|-------------------|-----------|--------------|
| <i>Percent Ownership</i>     | 100%       | 100%              | 100%         | 100%       | 0%              | 0%                | 100%      |              |
| <b>At January 1, 2018</b>    | \$ 92,802  | \$ 149,293        | \$ 887,306   | \$ 291,527 | \$ 21,779       | \$ -              | \$ 55,423 | \$ 1,498,130 |
| Expenditures                 |            |                   |              |            |                 |                   |           |              |
| Acquisition                  | -          | 12,034            | 8,903        | -          | 40,150          | -                 | 25,673    | 86,760       |
| Exploration                  | -          | 43,244            | 6,558        | 1,266      | 256,963         | -                 | 103,244   | 411,275      |
| Total Expenditures           | -          | 55,278            | 15,461       | 1,266      | 297,113         | -                 | 128,917   | 498,035      |
| Government assistance        | (11,654)   | (24,179)          | (112,255)    | -          | -               | -                 | (3,675)   | (151,763)    |
| Expensed current exploration | -          | -                 | -            | -          | -               | -                 | (99,335)  | (99,335)     |
| Property write-down          | -          | -                 | -            | (292,793)  | -               | -                 | -         | (292,793)    |
| <b>At December 31, 2018</b>  | \$ 81,148  | \$ 180,392        | \$ 790,512   | \$ -       | \$ 318,892      | \$ -              | \$ 81,330 | \$ 1,452,274 |
| Expenditures                 |            |                   |              |            |                 |                   |           |              |
| Acquisition                  | 2,295      | 2,700             | -            | -          | 21,462          | 42,000            | 35,692    | 104,149      |
| Exploration                  | 963        | 3,149             | -            | -          | 366,749         | 51,379            | 5,406     | 427,646      |
| Total Expenditures           | 3,258      | 5,849             | -            | -          | 388,211         | 93,379            | 41,098    | 531,795      |
| Expensed current exploration | -          | -                 | -            | -          | -               | -                 | (4,156)   | (4,156)      |
| Property write-down          | -          | -                 | -            | -          | -               | -                 | (60,534)  | (60,534)     |
| <b>At September 30, 2019</b> | \$ 84,406  | \$ 186,241        | \$ 790,512   | \$ -       | \$ 707,103      | \$ 93,379         | \$ 57,738 | \$ 1,919,379 |

During the nine-month period ended September 30, 2019 the Company entered into a property exploration option agreement with a prospector that gives the Company the right to acquire up to an 100% interest in the Root & Cellar property in Newfoundland.



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
*(unaudited and expressed in Canadian Dollars)*

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### 5. MINERAL PROPERTIES (continued)

Under the terms of the agreement, the Company can earn a 100% interest in the property by incurring \$2,150,000 in expenditures on the property within four years. The agreement also contains cash payments totaling \$165,000 (of which, \$15,000 has been paid) and share issuances totaling 3,000,000 shares to the prospector over three installments during the initial two-year period (of which, 300,000 have been issued).

The prospector will retain a 2.5% NSR of which 1.0% can be bought back by the Company for \$1,500,000.

During the year ended December 31, 2017 the Company entered into a property exploration option agreement with a prospector that gives the Company the right to acquire up to an 80% interest in the Shot Rock property in Nova Scotia.

Under the terms of the agreement, the Company can earn a 50% interest in the property by incurring \$500,000 in expenditures on the property within two years. The agreement also contains cash payments totaling \$50,000 (of which \$25,000 has been paid) and share issuances totaling 650,000 shares to the prospector over three installments during the initial two-year period (of which, 350,000 have been issued).

Over an additional two-year period, the Company can increase its interest to 80% by incurring an additional \$1,500,000 in expenditures, while making an additional \$50,000 in cash payments and issuing an additional 500,000 Company shares to the prospector.

The prospector will retain a 1% NSR of which half (0.5%) can be bought back by the Company for \$1,000,000.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
(unaudited and expressed in Canadian Dollars)

### 6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

|                                 | Field<br>Equipment | Furniture/<br>Fixtures | Office<br>Equipment | Right-of-Use | Software    | Total        |
|---------------------------------|--------------------|------------------------|---------------------|--------------|-------------|--------------|
| <b>Cost</b>                     |                    |                        |                     |              |             |              |
| <b>December 31, 2017</b>        | \$ 208,582         | \$ 29,980              | \$ 131,655          | \$ -         | \$ 45,658   | \$ 415,875   |
| Additions                       | -                  | -                      | 7,012               | -            | -           | 7,012        |
| <b>December 31, 2018</b>        | 208,582            | 29,980                 | 138,667             | -            | 45,658      | 422,887      |
| Additions                       | -                  | -                      | -                   | 164,270      | -           | 164,270      |
| <b>September 30, 2019</b>       | \$ 208,582         | \$ 29,980              | \$ 138,667          | \$ 164,270   | \$ 45,658   | \$ 587,157   |
| <b>Accumulated Amortization</b> |                    |                        |                     |              |             |              |
| <b>December 31, 2017</b>        | \$ (155,514)       | \$ (25,102)            | \$ (91,783)         | \$ -         | \$ (36,478) | \$ (308,877) |
| Amortization                    | (9,844)            | (905)                  | (7,222)             | -            | (3,800)     | (21,771)     |
| <b>December 31, 2018</b>        | (165,358)          | (26,007)               | (99,005)            | -            | (40,278)    | (330,648)    |
| Amortization                    | (6,165)            | (567)                  | (5,657)             | (44,802)     | (1,776)     | (58,967)     |
| <b>September 30, 2019</b>       | \$ (171,523)       | \$ (26,574)            | \$ (104,662)        | \$ (44,802)  | \$ (42,054) | \$ (389,615) |
| <b>Carrying Values</b>          |                    |                        |                     |              |             |              |
| <b>December 31, 2018</b>        | \$ 43,224          | \$ 3,973               | \$ 39,662           | \$ -         | \$ 5,380    | \$ 92,239    |
| <b>September 30, 2019</b>       | \$ 37,059          | \$ 3,406               | \$ 34,005           | \$ 119,468   | \$ 3,604    | \$ 197,542   |

Exploration-related asset amortization of \$6,165 was allocated to mineral properties during the nine-month period ended September 30, 2019 (2018 - \$7,569).

### 7. DEFERRED FLOW-THROUGH PREMIUM LIABILITY

This is the amount of unrecognized premium on flow-through share purchases related to the unspent flow-through dollars.



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
(unaudited and expressed in Canadian Dollars)

### 8. NATURE OF EXPENSES

General and administrative expenses during six-month periods ended September 30:

|                                  | 2019       | 2018       |
|----------------------------------|------------|------------|
| Remuneration and consulting fees | \$ 242,692 | \$ 280,895 |
| Office expenses                  | 98,367     | 197,492    |
| Travel expenses                  | 56,656     | 22,664     |
| Marketing expenses               | 54,858     | 20,567     |
| Professional fees                | 66,798     | 64,420     |
| Public company expenses          | 31,468     | 37,819     |
| Insurance expenses               | 13,855     | 13,433     |
|                                  | \$ 564,694 | \$ 637,290 |

Expensed exploration during nine-month periods ended September 30:

|                                 | 2019      | 2018       |
|---------------------------------|-----------|------------|
| Expensed prospecting activities | \$ 4,155  | \$ 102,822 |
|                                 | 60,535    | 292,793    |
|                                 | \$ 64,690 | \$ 395,615 |

### 9. RELATED PARTY TRANSACTIONS

The following table presents the legal fees that, during the nine-month periods ended September 30, the Company incurred with two law firms which, at one, a Director of the Company is a partner and at the other, the Company's corporate secretary is a partner. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

|                     | 2019     | 2018      |
|---------------------|----------|-----------|
| Board Member        | \$ 5,620 | \$ 58,460 |
| Corporate Secretary | 52,419   | -         |

Amounts owed to the two related-party firms as at indicated dates are summarized as follows:

|                     | September 30,<br>2019 | December 31,<br>2018 |
|---------------------|-----------------------|----------------------|
| Board Member        | \$ -                  | \$ 1,064             |
| Corporate Secretary | 41,667                | 31,550               |



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
(unaudited and expressed in Canadian Dollars)

### 10. KEY MANAGEMENT COMPENSATION

Benefits earned by key management during nine-month periods ended September 30:

|                          | 2019       | 2018       |
|--------------------------|------------|------------|
| Salaries                 | \$ 175,063 | \$ 174,908 |
| Benefits                 | 4,956      | 5,118      |
| Share-based compensation | 55,200     | -          |
|                          | \$ 235,219 | \$ 180,026 |

### 11. LEASES

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

Lease obligation (and right-of use assets – see Note 6) comprises the Company's office space. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 8%, which is the Company's incremental borrowing rate. The continuity of the lease obligation is presented in the table below:

|                                      |                   |
|--------------------------------------|-------------------|
| Balance at January 1, 2019           | \$ -              |
| Additions                            | 164,270           |
| Interest expense                     | 8,765             |
| Lease Payments                       | (50,058)          |
| <b>Balance at September 30, 2019</b> | <b>\$ 122,977</b> |
| Which is made up of:                 |                   |
| Current portion                      | 63,940            |
| Non-current portion                  | 59,037            |

### 12. EMPLOYEE COMPENSATION

The following table presents the compensation earned by the employees (including key management) during the six-month periods ended September 30, noted below:

|                          | 2019       | 2018       |
|--------------------------|------------|------------|
| Salaries                 | \$ 286,137 | \$ 365,844 |
| Benefits                 | 16,086     | 21,421     |
| Share-based compensation | 100,050    | -          |
|                          | \$ 402,273 | \$ 387,265 |

All the expenses in the above table were partially recorded as General and Administration expenses and partially capitalized to Mineral Properties.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
*(unaudited and expressed in Canadian Dollars)*

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### 13. SEGMENT INFORMATION

The Company has one operating segment involved in the exploration of resource properties. All the Company's assets are located in Canada.

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Market risk*

Market risk is the risk that changes in market prices, such as equity prices; interest rates and foreign exchange rates will affect the Company's income (loss) or the value of its financial instruments.

It is in management's opinion that the Company is not exposed to significant equity price, currency or interest rate risks arising from its financial instruments.

#### *Interest rate risk*

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

#### *Foreign exchange risk*

The Company is not exposed to significant foreign exchange risk due to the low volume of foreign currency transactions.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's unbilled receivables.

##### *a) Concentration of credit risk*

Counterparties expose the Company to credit-related losses in the event of non-performance. By dealing with only creditworthy counterparties, the Company's credit exposure is minimized. There was \$14,660 worth of amounts due to the Company from non-governmental counterparties at September 30, 2019 (December 31, 2018 – \$15,166).

##### *b) Credit risk exposure*

The carrying amounts of the cash and amounts receivable represent the maximum exposure to credit risk. The maximum exposure to credit risk at September 30, 2019 was \$99,815 (December 31, 2018 - \$91,425). The cash is held by the Company's banks, two of the large Canadian chartered banks. Since the inception of the Company, no losses have been suffered in relation to cash held in the bank.

## **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30, 2019 & 2018  
*(unaudited and expressed in Canadian Dollars)*

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### **14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

#### *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's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had a cash balance of \$64,006 (December 31, 2018 - \$39,011). To date, the Company has incurred significant operating losses. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient capital through either revenues or through further financings. The Company is exposed to liquidity risk.

#### *Fair values*

- a) The fair value of amounts receivable, accounts payable and accrued liabilities is approximately equal to their carrying value due to their short terms to maturity.
- b) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated 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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of the investment in shares is determined based on recent market transactions for similar instruments issued by that company. Cash and the investment in shares are level 1 instruments.



## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2019 & 2018  
*(unaudited and expressed in Canadian Dollars)*

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### 15. CAPITAL MANAGEMENT

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to fund future exploration and maintain the ability to continue as a going concern. Capital is defined as the Company's shareholders' equity. The Company does not have any long-term debt and the Company does not intend to assume any until any given development project warrants it. The Board of Directors does not establish quantitative capital criteria for management; but rather promotes the use of periodic equity financing events as the primary method of funding administrative operations and exploration and development. Other methods open to management to fund exploration include extending joint venture or earn-in opportunities to other parties relating to specific properties.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.