



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, 2020 and 2019

[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, 2020 and 2019
(unaudited and expressed in Canadian Dollars)

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NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statements of Comprehensive Loss
for the three and nine-month periods ended September 30, 2020 and 2019
(unaudited and expressed in Canadian Dollars)

	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(3 months)	(3 months)	(9 months)	(9 months)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Expenses				
Expensed exploration (Note 8)	\$ 23,614	\$ 2,823	\$ 24,776	\$ 64,690
General and administrative (Note 8)	216,796	181,551	690,394	562,967
Stock-based compensation (Note 3)	-	-	-	276,000
Loss before other income (expenses)	(240,410)	(184,374)	(715,170)	(903,657)
Other income	82,606	16,800	240,968	42,365
Interest income	125	-	125	38
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(157,679)	(167,574)	(474,077)	(861,254)
Weighted average common shares outstanding	263,169,237	219,323,608	257,224,555	211,338,072
Basic and diluted loss per share (Note 4)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (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 Richards, Director



NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statements of Financial Position
as at September 30, 2020 and December 31, 2019
(unaudited and expressed in Canadian Dollars)

	September 30,	December 31,
<i>As at</i>	2020	2019
	(unaudited)	(unaudited)
CURRENT ASSETS		
Cash	\$ 1,973,350	\$ 1,244,626
Amounts receivable	210,274	25,284
Subscriptions receivable	92,000	36,000
Prepaid expenses	80,887	129,961
	2,356,511	1,435,871
INVESTMENT IN SHARES	833	833
MINERAL PROPERTIES (Note 5)	3,012,692	1,242,875
PROPERTY AND EQUIPMENT (Notes 6 & 11)	100,947	127,029
	\$ 5,470,983	\$ 2,806,608
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 494,034	\$ 149,359
Current portion of lease obligation (Note 6)	32,495	32,495
Deferred flow-through permium liability (Note 7)	92,211	213,180
	618,740	395,034
NON-CURRENT LIABILITIES (Note 6)		
LEASE OBLIGATION	-	22,729
	618,740	417,763
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	31,618,711	28,689,169
Reserves	4,453,164	4,445,231
Deficit	(31,219,632)	(30,745,555)
	4,852,243	2,388,845
	\$ 5,470,983	\$ 2,806,608

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, 2020 and 2019
(unaudited and expressed in Canadian Dollars)

	September 30, 2020	September 30, 2019
	(9 months)	(9 months)
	(Unaudited)	(Unaudited)
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	\$ (474,077)	\$ (861,254)
Items not affecting cash		
Amortization - administrative	28,998	30,770
Stock-based compensation	-	276,000
Recognition of flow-through premium	(240,968)	(42,365)
Property write-down	-	60,534
Expensed exploration	24,776	4,156
Changes in non-cash operating working capital items:		
Amounts receivable	(184,990)	16,603
Subscription receivable	-	-
Prepaid expenses	49,074	(29,385)
Accounts payable and accrued liabilities	49,265	4,044
	(747,922)	(540,897)
CASH FLOW FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(1,507,708)	(429,387)
Acquisition of property & equipment	(8,602)	-
Government assistance	73,211	-
	(1,443,099)	(429,387)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital, net of issuance costs	2,942,474	1,016,266
Interest received	-	-
Repayment of lease liabilities	(22,729)	(20,987)
	2,919,745	995,279
NET CASH AND CASH EQUIVALENTS INFLOW	728,724	24,995
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,244,626	39,011
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,973,350	\$ 64,006

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, 2020 and 2019

(unaudited and expressed in Canadian dollars)

	Share Capital		Reserves			Total
	Number of Shares	Amount	Share-based Payments	Warrants	Deficit	
Balance at January 1, 2019	208,406,824	25,622,767	4,135,623	736,583	(28,855,818)	1,639,155
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)
Expiry of warrants	-	736,583	-	(736,583)	-	-
Share-based compensation	-	-	276,000	-	-	276,000
Loss for the period	-	-	-	-	(861,254)	(861,254)
Balance at September 30, 2019	220,397,657	27,124,640	4,411,623	92,675	(29,717,072)	1,911,866
Shares issued for property option	300,000	21,000	-	-	-	21,000
Shares issued for cash	15,175,926	758,797	-	-	-	758,797
Allocation of value of warrants	-	60,800	-	(60,800)	-	-
Shares issued by flow-through placement	15,517,338	966,040	-	-	-	966,040
Flow-through premium liability	-	(190,173)	-	-	-	(190,173)
Share issue costs	-	(51,935)	-	1,733	-	(50,202)
Loss for the period	-	-	-	-	(1,028,483)	(1,028,483)
Balance at December 31, 2019	251,390,921	28,689,169	4,411,623	33,608	(30,745,555)	2,388,845
Shares issued for property option	500,000	59,000	-	-	-	59,000
Shares issued for cash	13,671,795	1,636,000	-	-	-	1,636,000
Shares issued by flow-through placement	8,000,000	1,400,000	-	-	-	1,400,000
Flow-through premium liability	-	(120,000)	-	-	-	(120,000)
Share issue costs	-	(45,458)	-	7,933	-	(37,525)
Loss for the period	-	-	-	-	(474,077)	(474,077)
Balance at September 30, 2020	273,562,716	31,618,711	4,411,623	41,541	(31,219,632)	4,852,243

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, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

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 Nova Scotia, Newfoundland and Labrador, and Quebec.

Exploration on the Company's Shot Rock and Root & Cellar properties in Nova Scotia and Newfoundland and Labrador respectively 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 24, 2020.

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, 2020, the Company incurred a loss of \$474,077 and had negative cash flows from operations of \$747,922. At the end of the period, it had an accumulated deficit of \$31,219,632.

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.

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Consolidation

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

These financial statements have been prepared under the historical cost basis, except for the classification of certain financial instruments measured at fair value through profit or loss (“FVTPL”). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

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, 2019.

Significant Accounting Policies

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 2 of the financial statements for the year ended December 31, 2019. These condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2019.

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 273,562,716 voting common shares issued and outstanding at September 30, 2020 (251,390,921 at December 31, 2019).

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at September 30, 2020 (none at December 31, 2019).



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

3. SHARE CAPITAL (continued)

During the nine-month period ended September 30, 2020, the Company completed non-brokered private placements for gross proceeds of \$1,292,000 by issuing 13,271,795 units at an average of \$0.12 per unit. Each unit consisted of one common share and one half of one common share purchase warrant.

During the nine-month period ended September 30, 2020, 8,000,000 flow-through share units were issued, for gross proceeds of \$1,400,000 at \$0.175 per unit. Each unit consisted of one flow-through share and one half of one non-flow-through common share purchase warrant.

During the nine-month period ended June 30, 2019, 400,000 shares were issued upon the exercise of warrants, for gross proceeds of \$44,000, at an average of \$0.11 per share.

During the nine-month period ended June 30, 2019, 500,000 shares, valued at \$59,000, were issued as consideration for maintaining certain property options.

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, 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, 650,000 shares, valued at \$58,500, were issued as consideration for maintaining certain property options.

During the nine-month period ended September 30, 2020, a total of \$45,458 of share issue expenses were incurred (2019 – \$4,468).

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 Exercise Price</u>
Balance, December 31, 2019	14,955,926	\$ 0.11
Issued during the period	10,869,232	0.20
Exercised during the period	(400,000)	0.11
Balance, September 30, 2020	25,425,158	\$ 0.15



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

3. SHARE CAPITAL (continued)

Additional information regarding warrants outstanding as at September 30, 2020:

Issue Date	Exercise Price	Quantity	Expiry Date
March 6, 2019	\$ 0.10	2,066,667	March 6, 2021
June 19, 2019	\$ 0.14	1,700,000	June 19, 2021
July 31, 2019	\$ 0.14	1,593,750	July 31, 2021
December 9, 2019	\$ 0.10	7,287,963	December 9, 2021
December 17, 2019	\$ 0.10	1,750,000	December 17, 2021
December 17, 2019	\$ 0.10	157,546	December 17, 2021
January 27, 2020	\$ 0.18	1,666,667	January 27, 2022
January 27, 2020	\$ 0.10	233,333	January 27, 2022
August 22, 2020	\$ 0.20	8,969,232	August 22, 2022
		25,425,158	

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, 2020, 27,356,272 common share options were authorized to be issued and outstanding under the Plan (December 31, 2019 – 25,139,092). 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 Exercise Price</u>
Balance, December 31, 2019	16,150,000	\$ 0.13
Expired during the period	(350,000)	0.10
Balance, September 30, 2020	15,800,000	\$ 0.13

At September 30, 2020, the remaining pool of options available for grant was 11,556,272 (December 31, 2019 – 8,989,092).

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

3. SHARE CAPITAL (continued)

Detail of options outstanding at September 30, 2020:

Issue Date	Exercise Price	Quantity	Expiry Date	Exercisable
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	5,000,000	June 30, 2022	5,000,000
June 25, 2019	\$ 0.10	4,000,000	June 25, 2024	4,000,000
		15,800,000		15,800,000

Share-based compensation

During the nine-month period ended June 30, 2020 the Company incurred no share-based compensation expense (2019 - \$276,000).

The Black-Scholes option pricing model, used by the Company to calculate option values, as well as other currently accepted valuation models, were 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. Accordingly, management believes that this model does not necessarily provide a reliable single measure of the fair value of the Company's stock option awards.

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 three-month periods ended September 30, 2020 and 2019:

	2020	2019
Stock options	15,800,000	16,150,000
Stock purchase warrants	25,425,158	9,513,331
	41,225,158	25,663,331

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

5. MINERAL PROPERTIES

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

	QC Idefix	QC Huckleberry	QC Séquoi	NS Shot Rock	NL Root&Cellar	Other	Total
Percent Ownership	100%	100%	100%	80%	0%	100%	
At January 1, 2019	\$ 81,148	\$ 180,392	\$ 790,512	\$ 318,892	\$ -	\$ 81,330	\$ 1,452,274
Expenditures							
Acquisition	2,295	2,700	-	71,892	44,005	35,692	156,584
Exploration	963	3,149	-	446,290	62,851	18,373	531,626
Total Expenditures	3,258	5,849	-	518,182	106,856	54,065	688,210
External funding	-	-	-	-	-	-	-
Government assistance	-	-	-	(29,440)	-	-	(29,440)
Expensed current exploration	-	-	-	-	-	(4,156)	(4,156)
Property write-down	-	-	(790,512)	-	-	(73,501)	(864,013)
At December 31, 2019	\$ 84,406	\$ 186,241	\$ -	\$ 807,634	\$ 106,856	\$ 57,738	\$ 1,242,875
Expenditures							
Acquisition	3,288	7,124	-	3,410	56,105	41,480	111,407
Exploration	213	5,500	-	1,433,004	279,551	38,129	1,756,397
Total Expenditures	3,501	12,624	-	1,436,414	335,656	79,609	1,867,804
External Funding	-	-	-	-	-	-	-
Government assistance	-	-	-	(73,211)	-	-	(73,211)
Expensed current exploration	-	-	-	-	-	(24,776)	(24,776)
Property write-down	-	-	-	-	-	-	-
At September 30, 2020	\$ 87,907	\$ 198,865	\$ -	\$ 2,170,837	\$ 442,512	\$ 112,571	\$ 3,012,692

The Company currently holds a 100% interest in the Idefix and Huckleberry and Séquoi properties. Other properties consist of various claims in Quebec, Nova Scotia, and Newfoundland and Labrador. The Company wrote off its Séquoi property during fiscal 2019 since it had no further exploration plans there.

Root & Cellar

During the year ended December 31, 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.

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, \$35,000 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, 600,000 have been issued).

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

6. MINERAL PROPERTIES (continued)

Shot Rock

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.

The Company currently owns a 80% interest in the Property after having successfully met all conditions under the Option Agreement.

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

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Field Equipment	Furniture/ Fixtures	Office Equipment	Right-of-Use	Software	Total
Cost						
December 31, 2018	\$ 208,582	\$ 29,980	\$ 138,667	\$ -	\$ 45,658	\$ 422,887
Additions	-	-	-	83,490	-	83,490
December 31, 2019	208,582	29,980	138,667	83,490	45,658	506,377
Additions	7,630	-	972	-	-	8,602
September 30, 2020	\$ 216,212	\$ 29,980	\$ 139,639	\$ 83,490	\$ 45,658	\$ 514,979
Accumulated Amortization						
December 31, 2018	\$ (165,358)	\$ (26,007)	\$ (99,005)	\$ -	\$ (40,278)	\$ (330,648)
Amortization	(8,018)	(737)	(7,358)	(30,360)	(2,227)	(48,700)
December 31, 2019	(173,376)	(26,744)	(106,363)	(30,360)	(42,505)	(379,348)
Amortization	(5,686)	(462)	(4,725)	(22,770)	(1,041)	(34,684)
September 30, 2020	\$ (179,062)	\$ (27,206)	\$ (111,088)	\$ (53,130)	\$ (43,546)	\$ (414,032)
Carrying Values						
December 31, 2019	\$ 35,206	\$ 3,236	\$ 32,304	\$ 53,130	\$ 3,153	\$ 127,029
September 30, 2020	\$ 37,150	\$ 2,774	\$ 28,551	\$ 30,360	\$ 2,112	\$ 100,947

Exploration-related asset amortization of \$5,686 was allocated to mineral properties during the nine-month period ended September 30, 2020 (2019 - \$6,166).



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

7. DEFERRED FLOW-THROUGH PREMIUM LIABILITY

This amount represents the deferred flow-through premium liability recognized on flow-through share issuances that will be recorded as other income as the flow-through funds raised are expended on exploration.

The following is a continuity of the flow-through premium liability:

Balance at January 1, 2019	\$ 48,572
Additions to flow-through premium liability	206,973
Settlement of liability through qualified expenditures	(42,365)
Balance at December 31, 2019	213,180
Additions to flow-through premium liability	120,000
Settlement of liability through qualified expenditures	(240,969)
Balance at September 30, 2020	\$ 92,211

As at September 30, 2020, the Company is obligated to spend approximately \$910,452 on qualifying expenditures related to its flow-through shares issuances.

8. NATURE OF EXPENSES

General and administrative expenses incurred during the nine-month periods ended September 30:

	2020	2019
Remuneration and consulting fees	\$ 251,460	\$ 242,692
Office expenses	73,327	65,871
Travel expenses	16,975	56,656
Marketing expenses	184,055	54,857
Professional fees	65,971	66,798
Public company expenses	56,150	31,468
Insurance expenses	13,458	13,855
Amortization	28,998	30,770
	\$ 690,394	\$ 562,967

Expensed exploration during the nine-month periods ended September 30:

	2020	2019
Expensed prospecting activities	\$ 24,776	\$ 4,155
Property write-downs	-	60,535
	\$ 24,776	\$ 64,690



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
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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.

	2020	2019
Board Member	\$ 2,452	\$ 5,620
Corporate Secretary	62,616	36,169

Amounts owed to the two related-party firms at the dates indicated:

	September 30, 2020	December 31, 2019
Board Member	\$ -	\$ 2,769
Corporate Secretary	424	6,822

10. KEY MANAGEMENT COMPENSATION

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

	2020	2019
Salaries	\$ 180,908	\$ 175,063
Benefits	4,774	4,956
Share-based compensation	-	55,200
	\$ 185,682	\$ 235,219

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

11. LEASES

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	83,490
Interest expense	5,658
Lease Payments	(33,924)
Balance at December 31, 2019	55,224
Interest expense	2,714
Lease Payments	(25,443)
Balance at September 30, 2020	32,495
Which is made up of:	
Current portion	32,495
Non-current portion	-

The lease expires on September 30, 2021. The following is a schedule of the Company's future minimum lease payments related to the office lease obligation:

2020 – \$	8,481
2021 – \$	25,443

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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 \$1,693 worth of amounts due to the Company from non-governmental counterparties at September 30, 2020 (December 31, 2019 – \$1,693).

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, 2020 was \$2,183,624 (December 31, 2019 - \$1,269,910). 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.

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, 2020, the Company had a cash balance of \$1,973,350 (December 31, 2019 - \$1,244,626). 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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2020 & 2019
(unaudited and expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

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.