

BLACKHEATH RESOURCES INC.

FINANCIAL STATEMENTS

31 DECEMBER 2019 and 2018



Independent auditor's report

To the Shareholders of Blackheath Resources Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blackheath Resources Inc. (the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the balance sheets as at December 31, 2019 and 2018;
- the statements of changes in shareholders' equity (deficiency) for the years then ended;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The engagement partner on the audit resulting in this independent auditor's report is Eric Talbot.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2020

BLACKHEATH RESOURCES INC.**BALANCE SHEETS****AS AT 31 DECEMBER***Canadian Dollars*

ASSETS	2019		2018	
Current				
Cash	\$	19,134	\$	65,062
Receivables		1,977		8,409
Prepaid expenses		-		855
		<u>21,111</u>		<u>74,326</u>
Equipment		-		2,745
	\$	<u>21,111</u>	\$	<u>77,071</u>

LIABILITIES

Current				
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$	106,831	\$	160,492

SHAREHOLDERS' DEFICIENCY

Share capital <i>(Note 4)</i>		8,088,780		7,963,780
Subscriptions received in advance <i>(Note 4)</i>		-		100,000
Contributed surplus		667,166		667,166
Deficit		<u>(8,841,666)</u>		<u>(8,814,367)</u>
	\$	<u>21,111</u>	\$	<u>77,071</u>

Nature of operations and going concern *(Note 1)*

ON BEHALF OF THE BOARD:

 "James Robertson", Director "Kerry Spong", Director

- the accompanying notes are an integral part of these financial statements -

BLACKHEATH RESOURCES INC.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)****FOR THE YEARS ENDED 31 DECEMBER***Canadian Dollars*

	Number of Shares	Share Capital (Note 4)	Contributed Surplus	Subscriptions Received in Advance (Note 4)	Deficit	Total
Balance – 31 December 2017	4,943,618	\$ 7,963,780	\$ 667,166	\$ -	\$ (8,507,048)	\$ 123,898
Subscriptions received in advance	-	-	-	100,000	-	100,000
Loss and comprehensive loss for the year	-	-	-	-	(307,319)	(307,319)
Balance – 31 December 2018	4,943,618	7,963,780	667,166	100,000	(8,814,367)	(83,421)
Private placement	200,000	100,000	-	(100,000)	-	-
Private placement	50,000	25,000	-	-	-	25,000
Loss and comprehensive loss for the year	-	-	-	-	(27,299)	(27,299)
Balance – 31 December 2019	5,193,618	\$ 8,088,780	\$ 667,166	\$ -	\$ (8,841,666)	\$ (85,720)

- the accompanying notes are an integral part of these financial statements -

BLACKHEATH RESOURCES INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED 31 DECEMBER

Canadian Dollars

	2019	2018
Expenses		
Accounting and audit	\$ 16,344	\$ 17,143
Depreciation	237	1,024
Exploration and evaluation <i>(Note 6)</i>	(39,149)	227,397
Foreign exchange gain	(1,467)	(4,151)
Legal	23,300	19,314
Office and general	1,266	15,338
Rent and office services	855	10,813
Shareholder communications	1,786	1,951
Stock exchange and filing	17,335	10,241
Transfer agent	5,284	5,814
Travel and accommodation	-	2,435
Loss for the year before other item	(25,791)	(307,319)
Loss on disposal of equipment	(1,508)	-
Loss and comprehensive loss for the year	\$ (27,299)	\$ (307,319)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)
Weighted-average number of shares outstanding – basic and diluted	5,088,960	4,943,618

- the accompanying notes are an integral part of these financial statements -

BLACKHEATH RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER

Canadian Dollars

Cash resources provided by (used in)	2019	2018
Operating activities		
Loss for the year	\$ (27,299)	\$ (307,319)
Items not involving cash:		
Loss on disposal of equipment	1,508	-
Change in estimate – exploration and evaluation	(39,149)	-
Unrealized foreign exchange gain	-	(3,647)
Write-off of performance deposits	-	146,641
Depreciation	237	1,024
Changes in non-cash working capital		
Receivables	6,432	50,995
Prepaid expenses	855	8,854
Accounts payable and accrued liabilities	(14,512)	17,602
	<u>(71,928)</u>	<u>(85,850)</u>
Investing activities		
Proceeds from disposal of equipment	<u>1,000</u>	-
Financing activities		
Shares issued for cash	25,000	-
Subscriptions received in advance	-	100,000
	<u>25,000</u>	<u>100,000</u>
Change in cash position for the year	(45,928)	14,150
Cash position - beginning of year	<u>65,062</u>	<u>50,912</u>
Cash position - end of year	<u>\$ 19,134</u>	<u>\$ 65,062</u>

Supplemental schedule of non-cash financing transactions

Shares issued for subscription received in advance	\$ 100,000	\$ -
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- the accompanying notes are an integral part of these financial statements -

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018
Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Blackheath Resources Inc. (the “Company”) is a mineral exploration company incorporated under the British Columbia Business Corporations Act and has its registered office located at 10th Floor – 595 Howe Street, Vancouver, British Columbia, Canada. The Company has a royalty interest in the Borralha mineral property in Portugal, which is in the exploration stage and is being explored by a third party. Based on the information available to date, the Company has not yet determined whether the Borralha property contains ore reserves.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. The Company has no source of operating revenue and is unable to self-finance operations and meet its overhead requirements. The Company has incurred operating losses since inception and as at 31 December 2019 had an accumulated deficit of \$8,841,666 (2018 - \$8,814,367) and a working capital deficiency of \$85,720 (2018 - \$86,166). The Company’s working capital resources are insufficient to meet its overhead requirements and exploration activities for the ensuing twelve months.

The Company’s continuing operation is dependent upon its ability to realize proceeds from, or from the sale of, its royalty interest in the Borralha project (*Note 6*) and its ability to obtain the financing necessary to meet its current obligations and fund future corporate and administrative expenses. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future or that such funding will be completed on favourable terms. In addition, the out-break of the COVID-19 pandemic has introduced significant uncertainty in the capital markets, which may affect the ability of junior exploration companies to raise equity to fund exploration activities.

If for any reason the Company is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s financial statements; such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

The Company’s board of directors approved these financial statements for issue on 29 April 2020.

Basis of measurement

These financial statements have been prepared under the historical cost convention, except for those items carried at fair value.

Cash

Cash comprises cash balances held in current operating bank accounts that are subject to an insignificant risk of change in value, having original terms to maturity of 90 days or less when acquired.

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018

Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Foreign currency translation

The Company considers its functional currency to be the Canadian dollar. Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Translation gains and losses are reflected in profit or loss for the period.

Equipment

Equipment includes computers, furniture and equipment used at the Company's corporate offices. These assets are recorded at cost and depreciated over their estimated useful lives using the declining balance method at rates ranging from 20% to 45% per annum. Equipment is reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

Exploration and evaluation

The Company is currently in the exploration stage. Exploration and evaluation costs include the costs of acquiring licenses, option payments, and costs incurred to explore and evaluate properties.

Exploration and evaluation expenditures are expensed in the period they are incurred. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely that such costs will be recoverable through future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable under option agreements are not recorded; such payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

Restoration provisions

The Company recognizes liabilities for legal, statutory, contractual, and constructive obligations associated with the reclamation or rehabilitation of mineral property interests that the Company is required to settle. The Company recognizes liabilities for such obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The obligation is estimated using a discounted cash flow measurement model using a risk-free discount rate and is recorded as a liability with a corresponding charge to operations. The Company has determined that it has no restoration obligations as at 31 December 2019.

Income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the liability method, which recognizes differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences. Deferred tax assets are recognized only to the extent that sufficient taxable profits will be available against which the asset can be applied.

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018

Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Income taxes - *continued*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period that the substantive enactment occurs. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The proceeds from the exercise of stock options or warrants together with amounts previously recorded on the grant date or issue date are recorded as share capital. Share capital issued for non-monetary consideration is recorded at the fair value of the non-monetary consideration received, or at the fair value of the shares issued if the fair value of the non-monetary consideration cannot be measured reliably, on the date of issue. The Company uses the residual value approach in respect of unit offerings, whereby the amount assigned to the warrant is the excess of the unit price over the trading price of the Company's shares at the date of issuance, if any, to a maximum of the fair value of the warrant determined using the Black-Scholes Option-Pricing Model.

Share-based compensation

The Company uses the fair value method whereby it recognizes share-based compensation costs over the vesting periods for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and where vesting is immediate, share-based compensation is recognized at the grant date. Where future vesting provisions exist, each tranche is recognized on a graded-vesting basis over the vesting period. At each reporting period-end, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the period. Actual amounts could differ from these estimates.

The Company's most significant accounting judgement relates to the determination of assumptions used to estimate share-based compensation. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these assumptions can materially affect the fair value estimate. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity, and has no effect upon the Company's assets or liabilities.

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018

Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments

The Company classifies its financial instruments in accordance with IFRS 9 – *Financial Instruments*, based on the Company’s business model for managing its financial instruments, including the purpose for which the financial instruments were acquired as well as their contractual cash flow characteristics. Financial instruments are classified under three primary measurement categories: amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”).

Determination of the classification of financial instruments is made at initial recognition and reclassifications are made only upon the Company changing its business model for managing its financial instruments. Financial assets are derecognized when they mature or are sold, and substantially all of the risks and rewards of ownership have been transferred. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, upon initial recognition the Company can make a one-time irrevocable election to designate them as FVTOCI.

Financial assets

FVTPL

Financial assets classified as FVTPL are initially recognized at fair value with transaction costs being expensed in the period incurred. Realized gains and losses recognized upon derecognition and unrealized gains and losses arising from changes in the fair value of the financial assets are included in profit or loss in the period in which they arise.

FVTOCI

Investments in equity instruments classified as FVTOCI are initially recognized at fair value plus transaction costs. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income with no subsequent reclassification to profit or loss upon derecognition. Realized gains and losses recognized upon derecognition remain within accumulated other comprehensive income.

Amortized cost

A financial asset is measured at amortized cost if the objective of the Company’s business model is to hold the instrument for the collection of contractual cash flows, which are comprised solely of payments of principal and interest. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Impairment losses are included in profit or loss in the period the impairment is recognized.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL.

The Company’s financial instruments include cash, receivables, and accounts payable, all of which are carried at amortized cost.

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018

Canadian Dollars

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect is calculated on the use of the proceeds that would be obtained upon exercise of in-the-money options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Unexercised stock options and warrants have not been included in the computation of diluted loss per share as their effect would be anti-dilutive.

Adoption of new accounting standard

On 1 January 2019, the Company adopted IFRS 16 – *Leases*, according to which all leases are presented on the balance sheet, except those that meet the limited exception criteria. The Company has no lease agreements and therefore the adoption of this new standard had no impact on the Company's financial statements.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

	2019	2018
Cash		
Cash on deposit	\$ 19,134	\$ 65,062
Receivables		
Value-added taxes	\$ 1,977	\$ 8,409
Accounts payable and accrued liabilities		
Accounts payable	\$ 38,942	\$ 22,056
Accrued audit, legal, and other	67,889	138,436
	\$ 106,831	\$ 160,492

The carrying values of cash and receivables approximate their fair values due to the short-term nature of these instruments. The carrying value of accounts payable exceeds its fair value considering the current credit rating of the Company. Due to the size and nature of these instruments, it is management's opinion that the Company is not exposed to significant credit or market risks in respect of these financial instruments. The Company is subject to liquidity risk such that it may not be able to meet its obligations under its financial instruments as they fall due (*Note 1*).

4. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018

Canadian Dollars

4. SHARE CAPITAL - continued

Share Consolidation

Effective December 9, 2019, the Company consolidated its outstanding common shares on the basis of one post-consolidation share for every ten pre-consolidation shares. All information and per-share amounts in respect of issued and outstanding shares, incentive stock options, share purchase warrants, and loss per share have been retrospectively adjusted to reflect the consolidation.

Issued and Outstanding

	Number of Shares	Share Capital
Balance – 31 December 2017 and 2018	4,943,618	\$ 7,963,780
Private placement	200,000	100,000
Private placement	<u>50,000</u>	<u>25,000</u>
Balance – 31 December 2019	<u>5,193,618</u>	<u>\$ 8,088,780</u>

Private placements

In October 2018, the Company optioned its Borralha project to a third party (*Note 6*). As part of the agreement, the third party subscribed for 2,000,000 pre-consolidation shares of the Company at a price of \$0.05 per share for which a share subscription of \$100,000 was received during 2018. The option agreement also provided for this third party to make certain future annual investments of \$25,000 at market prices, subject to regulatory approval, until a final exploitation license is granted on the property or the option is terminated. Shareholder approval for the agreement and private placement was received in April 2019; upon receiving regulatory approval, the Company issued 2,000,000 pre-consolidation shares from treasury in May 2019 (200,000 post-consolidation shares).

In September 2019, the Company received a share subscription of \$25,000 in respect of the first annual investment due under the agreement. In October 2019, the Company issued 500,000 pre-consolidation shares at a price of \$0.05 per share (50,000 post-consolidation shares).

5. STOCK OPTIONS AND WARRANTS

The Company has an incentive stock option plan that complies with the rules set forth by the TSX Venture Exchange. Stock option and warrant activity is summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding – 31 December 2017	1,471,275	\$ 1.40	347,000	\$ 1.30
Expired	<u>(735,875)</u>	\$ 1.80	-	
Outstanding – 31 December 2018 and 2019	<u>735,400</u>	<u>\$ 1.00</u>	<u>347,000</u>	<u>\$ 1.30</u>
Exercisable – 31 December 2019	<u>735,400</u>	<u>\$ 1.00</u>	<u>347,000</u>	<u>\$ 1.30</u>

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018
Canadian Dollars

5. STOCK OPTIONS AND WARRANTS - continued

At 31 December 2019, the Company had outstanding stock options and warrants as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	239,000	\$ 1.30	30 December 2020
	36,000	\$ 1.30	5 July 2021
	<u>72,000</u>	\$ 1.30	26 July 2021
	<u>347,000</u>		
Warrants	735,400	\$ 1.00	19 July 2020

The outstanding options have a weighted average remaining life of 1.17 years; the outstanding warrants have a remaining life of 0.55 years.

6. EXPLORATION AND EVALUATION

Borralha, Portugal

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Borralha tungsten project located in northern Portugal. The Company paid the owner of the property (the "Optionor") €25,000 upon signing and in addition to keeping the concessions in good standing, must pay the Optionor an additional €100,000 upon the grant of a preliminary exploitation license and €1,000,000 upon the grant of a final exploitation license.

In October 2018, the Company optioned the Borralha project to a third party (the "Optionee"). Under the terms of the agreement, the Optionee must fulfill all of the terms of the original agreement with the Optionor and incur \$5 million on exploration and evaluation expenditures or complete a feasibility study to earn a 90% interest in the project. The Company could retain a 10% working interest in Borralha, which could be converted to a 1% net smelter returns royalty ("NSR") at the Company's option. In December 2019, the Company elected to convert its interest in the Borralha project into a 1% NSR.

As part of the agreement, the Optionee subscribed for common shares of the Company (*Note 4*) and will make future annual investments of \$25,000 at market prices until a final exploitation license is granted on the property or the option is terminated.

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018
Canadian Dollars

6. EXPLORATION AND EVALUATION - continued

Expenditures

The Company expenses exploration and evaluation expenditures in the period incurred. Expenditures for the years ended 31 December are as follows:

Portugal	2019	2018
Covas (i)		
Administration	\$ -	\$ 1,254
Camp and general	-	10,619
Geological	-	6,930
Legal, license, and taxes	-	79,335
	-	98,138
Bejanca (ii)		
Administration	-	12,662
Camp and general	-	1,281
Geological	(13,050)	-
Legal, license, and taxes	-	37,550
	(13,050)	51,493
Borralha (iii)		
Administration	-	13,422
Camp and general	-	1,754
Field materials	-	72
Geological	(13,050)	31,585
Legal, license, and taxes	-	29,756
Travel and accommodation	-	1,177
	(13,050)	77,766
Vale das Gatas		
Geological	(13,049)	-
	\$ (39,149)	\$ 227,397

During the year, the Company revised its estimate of an amount accrued in favour of a consultant for services rendered in prior years. The reduction in this estimate resulted in a recovery of geological fees in the amount of \$39,149.

- (i) The Company abandoned the Covas project in March 2018 – legal, license, and taxes consists of the write-off of a performance deposit of €50,000 held by the government of Portugal.
- (ii) The Company abandoned the Bejanca project in September 2018 – legal, license, and taxes consists of the write-off of a performance deposit of €25,000 held by the government of Portugal.
- (iii) The Company optioned the Borralha project to a third party in October 2018, which included the assignment of the related performance deposit held by the government of Portugal – legal, license, and taxes consists of the write-off of this deposit of €20,000.

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management includes executive and non-executive directors and executive officers. There was no compensation paid or payable to key management or parties related to key management during the years ended 31 December 2019 or 2018. Accounts payable includes \$51,000 (2018 - \$51,000) in fees due to key management, which were accrued, without terms, during 2016.

BLACKHEATH RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019 AND 2018

Canadian Dollars

8. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company's corporate offices are located in Canada and its current mineral interest consists of an NSR on a property located in Portugal. Except for its mineral interest, all of the Company's physical assets are held in Canada.

9. CAPITAL DISCLOSURES

In the management of capital, the Company considers its capital resources to be shareholders' equity. The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account or guaranteed investment certificate until such time as it is required to pay operating expenses or exploration and evaluation costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities (Note 1). The Company's objectives have not changed during the year.

10. INCOME TAXES

The Company has non-capital tax losses and mineral exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended 31 December are as follows:

	2019	2018
Loss before income taxes for accounting purposes	\$ (27,299)	\$ (307,319)
Statutory rate	27.00%	27.00%
Expected tax recovery for the year	(7,371)	(82,976)
Non-deductible (non-taxable) items	(347)	2,541
Unrecognized benefit of losses and expenditures	7,718	80,435
Tax recovery for the year	\$ -	\$ -

Deferred income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets have not been recognized in respect of these items because it is not currently considered probable that future taxable profits will be available against which the Company can utilize the benefits of these assets. The significant components of the Company's unrecognized deferred income tax assets are as follows:

	2019	2018
Non-capital losses – expire 2031 to 2039	\$ 1,165,765	\$ 1,137,034
Share issuance costs – deductible 2040 to 2041	4,693	11,930
Mineral property expenditures – no expiry	1,300,923	1,311,494
Equipment	-	3,125
	\$ 2,471,381	\$ 2,463,583