

RIDGESTONE MINING INC.

Interim Consolidated Financial Statements

Nine Months Ended September 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

The accompanying unaudited interim consolidated financial statements have been prepared by Management of Ridgestone Mining Inc. and have not been reviewed by the Company's auditors.

RIDGESTONE MINING INC.Interim consolidated statements of financial position
(Expressed in Canadian dollars)

	September 30, 2020 \$	December 31, 2019 \$
	(unaudited)	
ASSETS		
Current assets		
Cash	78,559	57,530
Prepays and deposits	13,211	28,611
Taxes recoverable	29,763	21,682
Total current assets	121,533	107,823
Non-current assets		
Deposit on exploration and evaluation assets (Note 3)	–	726,477
Exploration and evaluation assets (Note 3)	1,956,539	1,014,117
Total assets	2,078,072	1,848,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	336,771	98,649
Due to related parties (Note 5)	87,813	49,426
Loans payable (Note 6)	110,000	–
Total liabilities	534,584	148,075
Shareholders' equity		
Share capital (Note 7)	6,455,640	4,876,008
Equity reserve (Note 8)	815,656	638,178
Deficit	(5,727,808)	(3,813,844)
Total shareholders' equity	1,543,488	1,700,342
Total liabilities and shareholders' equity	2,078,072	1,848,417

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on November 26, 2020:

/s/ "Jonathan George"

Jonathan George, Director

/s/ "Erwin Wong"

Erwin Wong, Director

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.

Interim consolidated statements of comprehensive loss

(Expressed in Canadian dollars)

(Unaudited)

	For the three months ended September 30, 2020 \$	For the three months ended September 30, 2019 \$	For the nine months ended September 30, 2020 \$	For the nine months ended September 30, 2019 \$
Expenses				
Consulting fees (Note 5)	235,648	92,415	661,280	240,249
Foreign exchange gain	(6,221)	–	(28,555)	–
General and administrative	5,825	21,106	53,706	84,070
Mineral exploration costs (Note 3)	76,483	205,596	621,041	472,668
Professional fees	28,429	28,977	134,535	95,247
Share-based compensation	158,001	(1,289)	172,098	131,001
Total expenses	498,165	346,805	1,614,105	1,023,235
Net loss before other items	(498,165)	(346,805)	(1,614,105)	(1,023,235)
Other income or expense				
Financing expense	–	–	–	(13,000)
Write-down on mineral property	–	–	(298,302)	–
Interest expense	(1,557)	–	(1,557)	(2,670)
Net loss and comprehensive loss	(499,722)	(346,805)	(1,913,964)	(1,038,905)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.04)	(0.04)
Weighted average shares outstanding, basic and diluted	44,910,174	32,655,000	43,033,672	29,336,000

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.

Interim consolidated statement of changes in equity

(Expressed in Canadian dollars)

(Unaudited)

	Share capital		Equity reserve \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$			
Balance, December 31, 2018	24,125,943	3,166,254	480,822	(2,581,058)	1,066,018
Units issued for cash	8,000,000	1,120,000	–	–	1,120,000
Share issuance costs	–	(86,102)	34,088	–	(52,014)
Share issued pursuant to loan agreement	72,222	13,000	–	–	13,000
Shares issued pursuant to mineral property purchase agreement	3,000,000	660,000	–	–	660,000
Rounding	(4)	–	–	–	–
Share-based compensation	–	–	131,001	–	131,001
Net loss for the period	–	–	–	(1,038,905)	(1,038,905)
Balance, September 30, 2019	35,198,161	4,873,152	645,911	(3,619,963)	1,899,100
Balance, December 31, 2019	35,198,161	4,876,008	638,178	(3,813,844)	1,700,342
Units issued for cash	7,012,013	1,051,802	–	–	1,051,802
Share issuance costs	–	(47,170)	5,380	–	(41,790)
Shares issued pursuant to mineral property purchase agreement	2,000,000	470,000	–	–	470,000
Shares issued for services	700,000	105,000	–	–	105,000
Share-based compensation	–	–	172,098	–	172,098
Net loss for the period	–	–	–	(1,913,964)	(1,913,964)
Balance, September 30, 2020	44,910,174	6,455,640	815,656	(5,727,808)	1,543,488

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.

Interim consolidated statements of cash flows
(Expressed in Canadian dollars)
(Unaudited)

	For the nine months ended September 30, 2020 \$	For the nine months ended September 30, 2019 \$
Operating activities		
Net loss	(1,913,964)	(1,038,905)
Item not involving cash:		
Financing expense	–	13,000
Issuance of shares for services	105,000	–
Share-based compensation	172,098	131,001
Write-down of mineral property	298,302	–
Changes in non-cash operating working capital:		
Prepaid expenses	15,400	71,005
Taxes recoverable	(8,081)	(463)
Accounts payable and accrued liabilities	238,122	16,970
Due to related parties	38,387	15,674
Net cash used in operating activities	(1,054,736)	(791,718)
Investing activities		
Acquisition of exploration and evaluation assets	–	(100,749)
Deposit on exploration and evaluation assets	(44,247)	(53,220)
Net cash used in investing activities	(44,247)	(153,969)
Financing activities		
Proceeds from related party loan	–	65,000
Repayment of related party loan	–	(65,000)
Proceeds from loans	110,000	–
Proceeds from issuance of units, net of issuance costs	1,010,012	1,067,986
Net cash provided by financing activities	1,120,012	1,067,986
Change in cash	21,029	122,299
Cash, beginning of period	57,530	84,788
Cash, end of period	78,559	207,087
Non-cash investing and financing activities:		
Reclassification of deposit to exploration and evaluation assets	1,240,724	–
Shares issued pursuant to mineral property purchase agreement	470,000	660,000
Shares issued for services	105,000	–
Shares issued pursuant to loan agreement	–	13,000
Supplemental disclosures:		
Interest paid	–	1,944
Income taxes paid	–	–

(The accompanying notes are an integral part of these interim consolidated financial statements)

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

1. Nature of Operations and Continuance of Business

Ridgestone Mining Inc., (the “Company”), was incorporated in British Columbia, Canada on March 30, 2017 under the name 1113414 B.C. Ltd. On March 30, 2017, the Company changed its name to Ridgestone Mining Ltd. The Company’s principal business plan is to acquire, explore and develop mineral properties and ultimately seek earnings by exploiting mineral claims. On February 16, 2018, the Company’s common shares became listed and commenced trading on the TSX Venture Exchange (“Exchange”) under the symbol “RMI”. The Company’s registered and records office is Suite 409, 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3.

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at September 30, 2020, the Company has not generated any revenue and has accumulated losses of \$5,727,808 since inception. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. There is no guarantee that the Company will be able to complete any of the above objectives. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary 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. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by IASB. The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2019.

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cerro de Oro Minerales, S.A. de C.V., a company incorporated on September 21, 2018, in Mexico. All inter-company balances and transactions have been eliminated on consolidation.

The interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which is also the Company and its subsidiary’s functional currency.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2020

(Expressed in Canadian dollars)

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2. Summary of Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments

The preparation of these interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include fair value of share-based payments, recoverability of exploration and evaluation assets, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Recently Adopted Accounting Standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Exploration and Evaluation Assets

Mineral property acquisition costs:

	Cimarron Property \$	Rebeico Property \$	Alaska Property \$	Total \$
Balance, December 31, 2019	298,302	715,815	–	1,014,117
Additions	–	–	1,240,724	1,240,724
Impairment	(298,302)	–	–	(298,302)
Balance, September 30, 2020	–	715,815	1,240,724	1,956,539

Mineral exploration costs:

	Nine months ended September 30, 2020 \$	Nine months ended September 30, 2019 \$
<u>Cimarron Property, Nevada, USA</u>		
Geological and geophysics	–	3,757
	–	3,757
<u>Rebeico Property, Sonora, Mexico</u>		
General exploration	221,764	309,327
Geological and geophysics	398,863	152,014
Meals and accommodations	414	2,156
Assays	–	5,414
	621,041	468,911
	621,041	472,668

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

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3. Exploration and Evaluation Assets (continued)

As at September 30, 2020, deposits of \$nil (December 31, 2019 - \$6,730) related to mineral property exploration costs were included in prepaids and deposits.

Cimarron Property

On May 17, 2017, the Company entered into an Assignment Agreement with 1082223 B.C. Ltd. (the "Assignor"), and Nevada Select Royalty Inc. ("Nevada Select"), to acquire the Assignor's interest in an Option Agreement between the Assignor and Nevada Select, in respect of certain mineral claims, known as the Cimarron property, located in NYE County, Nevada. The Assignor is a private company controlled by an individual who became a member of the Board of Directors of the Company subsequent to the signing of the Assignment Agreement. In consideration for the assignment, the Company issued 4,000,000 shares of common stock with a fair value of \$200,000, and paid cash consideration of \$100,000. On February 9, 2018, the Company cancelled 2,000,000 shares of common stock in relation to the above share issuance.

Upon closing of the Assignment Agreement, the Company assumed all of the Assignor's rights and obligations under the Option Agreement dated May 16, 2017 ("Effective Date"). Under the Option Agreement, the Company is required to make the following payments to Nevada Select during the option period as follows:

- i) US\$10,000 cash within three business days from the Effective Date (paid \$13,610);
- ii) US\$15,000 cash on the six-month anniversary of the Effective Date (paid \$19,192);
- iii) US\$25,000 cash on the first-year anniversary of the Effective Date (paid \$32,045);
- iv) US\$25,000 cash on the second-year anniversary of the Effective Date (paid \$33,456);
- v) US\$25,000 cash on the third-year anniversary of the Effective Date; and
- vi) US\$150,000 cash on the fourth-year anniversary of the Effective Date.

Once the above payments have been made, the Company can exercise the option and acquire 100% of the right, title and interest in and to the Cimarron property. Upon execution of the option, Nevada Select will be granted a 2.5% net smelter royalty ("NSR") in respect of all products produced from the property.

During the nine months ended September 30, 2020, the Company determined that it will not proceed with the Cimarron Option Agreement and recognized an impairment of \$298,302.

Rebeico Property

On March 8, 2018, the Company entered into an Assignment Agreement with 1082223 B.C. Ltd. (the "Assignor"), a private company controlled by a member of the Board of Directors of the Company, and YQ Gold de Mexico, S. de R.L. de C.V. ("YQ Gold"), to acquire the Assignor's interest in an Option Agreement between the Assignor and YQ Gold, in respect of certain mineral claims, known as the Rebeico property, located in Sonora, Mexico. In consideration for the assignment, the Company paid cash consideration of \$55,000. Upon closing of the Assignment Agreement, the Company assumed all of the Assignor's rights and obligations under the Option Agreement dated December 21, 2017 ("Effective Date"), as amended April 6, 2018, and December 14, 2018. On April 6, 2018, and December 14, 2018, the Company entered into an Amendment Agreement and Second Amending Agreement, respectively, with YQ Gold with respect to the Option Agreement assigned on March 8, 2018, on the Rebeico Property.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

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(Expressed in Canadian dollars)

(Unaudited)

3. Exploration and Evaluation Assets (continued)

Under the Amendment Agreement and Second Amending Agreement, the Company's required payment of US\$500,000 to YQ Gold shall be made as follows:

- i) US\$50,000 (\$64,810) cash (paid) and an additional US\$150,000 which, at the sole option of the Company, may be satisfied in either cash or through the issuance of common shares of the Company having an equivalent fair market value within three business days from receipt of Exchange approval (paid by issuance of 845,347 common shares with a fair value of \$194,430);
- ii) US\$100,000 cash, of which US\$50,000 (\$67,361) shall be paid on or before December 21, 2018 (paid) and US\$50,000 (\$67,293) shall be paid upon the earlier of (i) the closing of the first debt and/or equity financing or (ii) January 31, 2019 (paid), and an additional US\$200,000 which, at the sole option of the Company, may be satisfied in either cash or through the issuance of common shares of the Company having an equivalent fair market value on or before the six-month anniversary of receipt of Exchange approval (paid by issuance of 988,592 common shares with a fair value of \$266,920).

The Company must also incur exploration expenditures of US\$1,000,000 within two years from Exchange approval and pay 50% of the profit derived from commercial production of the Property, to a maximum of US\$1,450,000, to YQ Gold. Once the above payments have been made, the Company can exercise the option and acquire 100% of the right, title and interest in and to the Rebeico property. Upon execution of the option, YQ Gold principals will be granted a 2% NSR (subject to an optional repurchase of 1% of the NSR by the Company for US\$1,000,000) in respect of all products produced from the property.

Alaska Property

On June 25, 2019, the Company entered into a Mineral Property Purchase Agreement (the "Agreement") to purchase a 100% interest in 10 mining concessions adjacent to its Rebeico Property. In consideration for the mining concessions, the Company agreed to pay US\$83,000 and issue 5,000,000 common shares of the Company (the "Purchase Price"). The closing date of the Agreement is the date which is the first day on which the Purchase Price has been paid in full, following Exchange approval. Upon closing, the vendor will transfer an undivided 100% interest in the property to the Company. The Agreement may be terminated, and the transactions contemplated by the Agreement may be abandoned, at any time prior to the closing date by written agreement of the vendor and the Company. The Agreement received Exchange approval on September 11, 2019. At December 31, 2019, the Company had paid \$66,477 (US\$50,000) and issued 3,000,000 common shares with a fair value of \$660,000, which was recognized as a deposit on exploration and evaluation assets. During the nine months ended September 30, 2020, the Company paid the remaining US\$33,000 and issued the remaining 2,000,000 common shares with a fair value of \$470,000, at which point the Agreement closed and the Company acquired the property.

4. Accounts Payable and Accrued Liabilities

	September 30, 2020	December 31, 2019
Accounts payable	\$ 113,708	\$ 37,183
Accrued liabilities	223,063	61,466
	<u>336,771</u>	<u>98,649</u>

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

5. Related Party Transactions

The remuneration of directors and other members of key management for the nine months ended September 30, 2020, and 2019, are as follows:

	September 30, 2020	September 30, 2019
	\$	\$
Consulting fees	137,500	107,500
	137,500	107,500

- (a) During the nine months ended September 30, 2020, the Company incurred \$nil (2019 – \$45,000) in consulting fees to a director and former President of the Company. As at September 30, 2020, the Company owed \$44,611 (December 31, 2019 – \$44,611) to the director and former President of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (b) During the nine months ended September 30, 2020, the Company incurred \$45,000 (2019 – \$45,000) in consulting fees to the Chief Financial Officer (“CFO”) of the Company. As at September 30, 2020, the Company owed \$4,961 (December 31, 2019 – \$537) to the CFO of the Company for accrued consulting fees and expenses paid on behalf of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (c) During the nine months ended September 30, 2020, the Company incurred \$41,000 (2019 – \$nil) in consulting fees to the President of the Company. As at September 30, 2020, the Company owed \$4,761 (December 31, 2019 – \$4,279) to the President of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (d) During the nine months ended September 30, 2020, the Company incurred \$39,000 (2019 – \$17,500) of consulting fees to a private company controlled by a director of the Company. As at September 30, 2020, the Company owed \$20,980 (December 31, 2019 – \$nil) to the private company controlled by a director of the Company. The balance is unsecured, non-interest bearing and due on demand.
- (e) During the nine months ended September 30, 2020, the Company incurred \$12,500 (2019 – \$nil) of consulting fees to a director of the Company. As at September 30, 2020, the Company owed \$12,500 (December 31, 2019 – \$nil) to the Director of the Company. The balance is unsecured, non-interest bearing and due on demand.

6. Loans Payable

- (a) On August 31, 2020, the Company entered into a loan agreement for \$75,000, which is unsecured, bears interest at 12% and matures on August 17, 2021.
- (b) On August 20, 2020, the Company entered into a loan agreement for \$35,000, which is unsecured, bears interest at 12% and matures on August 20, 2021.

RIDGESTONE MINING INC.

Notes to the interim consolidated financial statements

September 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

7. Share Capital

Authorized: Unlimited common shares without par value

Share transactions for the nine months ended September 30, 2020:

- (a) On February 10, 2020, the Company issued 2,000,000 common shares with a fair value of \$470,000 pursuant to a mineral property purchase agreement for the Alaska Property (Note 3).
- (b) On February 20, 2020, the Company completed a private placement of 4,748,347 units at \$0.15 per unit for gross proceeds of \$712,252. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable at \$0.30 per share for a period of 12 months following closing of the private placement, subject to certain acceleration provisions. In connection with the private placement, the Company paid finder's fees of \$22,320 and issued 148,800 finders warrants with a fair value of \$2,649, which have the same terms as the warrants issued in the private placement.
- (c) On February 28, 2020, the Company completed a private placement of 2,263,666 units at \$0.15 per unit for gross proceeds of \$339,550. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable at \$0.30 per share for a period of 12 months following closing of the private placement, subject to certain acceleration provisions. In connection with the private placement, the Company paid finder's fees of \$19,470 and issued 115,800 finders warrants with a fair value of \$2,731, which have the same terms as the warrants issued in the private placement.
- (d) On April 15, 2020, the Company issued 700,000 common shares for consulting services of \$105,000.

Escrow shares

At September 30, 2020, the Company has 1,575,000 common shares held in escrow, which will be released in stages every six months until February 2021. During the nine months ended September 30, 2020, a total of 3,150,000 shares were released from escrow.

8. Stock Options

The Company's Board of Directors approved a stock incentive plan dated November 15, 2017. The Board of directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding commons shares of the Company. The exercise price will not be less than the discounted market price defined in the policies of the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding ten years. Provided the Company is listed on the Exchange, the option holders can elect to exercise options on a cashless basis.

The following table summarizes information about the options at September 30, 2020, and the changes for the nine month period then ended:

	Number of options	Weighted average exercise price \$
Options outstanding – December 31, 2019	3,100,000	0.17
Granted	1,400,000	0.15
Cancelled	(300,000)	0.21
Options outstanding – September 30, 2020	4,200,000	0.16
Options exercisable – September 30, 2020	4,200,000	0.16

RIDGESTONE MINING INC.

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(Unaudited)

8. Stock Options (continued)

The following table summarizes information about stock options outstanding and exercisable at September 30, 2020:

Exercise price \$	Options outstanding	Options exercisable	Weighted average remaining contracted life (years)
0.15	3,350,000	3,350,000	3.79
0.21	850,000	850,000	3.11

Share-based compensation expense is determined using the Black-Scholes Option Pricing Model. During the nine months ended September 30, 2020, the Company recognized share-based compensation expense of \$172,098 (2019 – \$131,001) in equity reserves. The weighted average fair value of each option granted during the nine months ended September 30, 2020 was \$0.12 (2019 – \$0.14) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2020	2019
Risk-free interest rate	0.36%	1.40%
Dividend yield	0%	0%
Expected Volatility	71.48%	85.46%
Expected life (years)	4.68	4.58
Forfeiture rate	0%	0%

Equity reserve

The equity reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9. Warrants

The following table summarizes information about the warrants at September 30, 2020, and the changes for the nine month period then ended:

	Number of warrants	Weighted average exercise price \$
Warrants outstanding – December 31, 2019	9,309,000	0.25
Issued	3,770,609	0.30
Warrants outstanding – September 30, 2020	13,079,609	0.26

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at September 30, 2020:

Exercise Price \$	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
0.25	October 12, 2020	4,309,000	0.03
0.25	June 8, 2021	5,000,000	0.69
0.30	February 18, 2021	2,522,975	0.39
0.30	February 27, 2021	1,247,634	0.41

RIDGESTONE MINING INC.

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(Expressed in Canadian dollars)

(Unaudited)

10. Financial Instruments

(a) Categories of Financial Instruments and Fair Value Measurements

The Company classifies cash, accounts payable, due to related parties, and loans payable as amortized cost.

The fair values of cash, accounts payable, due to related parties and loans payable approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Management monitors the amount of credit extended to the parties for expense recoveries. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in the currencies that differ from the respective functional currency. The Company operates in Canada, United States and Mexico. Future exploration programs and option payments may be denominated in U.S. dollars and Mexican pesos. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

(d) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Liquidity risk is assessed as high.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged during the nine months ended September 30, 2020.

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September 30, 2020

(Expressed in Canadian dollars)

(Unaudited)

12. Subsequent Events

- (a) Subsequent to September 30, 2020, a total of 150,000 stock options exercisable at \$0.15 per share were cancelled.
- (b) Subsequent to September 30, 2020, a total of 4,309,000 warrants exercisable at \$0.25 per share expired unexercised.