

FPX NICKEL CORP.

Condensed Consolidated Interim Financial Statements

September 30, 2020 & 2019

(Unaudited)

(Stated in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim financial statements of FPX Nickel Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

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

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Condensed Consolidated Interim Statements of Financial Position

*(Unaudited)**(Stated in Canadian Dollars)*

	Sep. 30 2020	Dec. 31 2019
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (note 3)	1,393,030	1,728,445
Amounts receivable (note 4)	61,868	35,444
Prepaid expenses (note 5)	17,086	40,054
Total Current Assets	1,471,984	1,803,943
Reclamation deposits (note 6)	133,288	117,741
Marketable securities (note 7)	-	27,781
Right of use asset – office lease (note 10)	58,662	82,660
Exploration and evaluation assets (note 8)	10,192,578	9,494,614
Total Assets	11,856,512	11,526,739
LIABILITIES		
Current		
Accounts payable and other liabilities (note 9)	109,451	61,858
Lease liability – current portion	33,000	29,345
Interest payable (note 11)	146,693	144,943
Total Current Liabilities	289,144	236,146
Lease liability – non-current portion	30,502	55,541
Loan payable (note 11)	7,630,774	7,927,001
Total Liabilities	7,950,420	8,218,688
EQUITY		
Share capital (note 12)	35,182,920	33,476,916
Other equity reserve (note 12)	6,884,554	6,446,378
Deficit	(38,161,382)	(36,586,200)
Accumulated other comprehensive loss	-	(29,044)
Total Shareholders' Equity	3,906,092	3,308,050
Total Liabilities and Shareholders' Equity	11,856,512	11,526,739
Nature and continuance of operations (note 1)		
Commitments (note 15)		

Approved and authorized by the Board of Directors:

/s/ Peter M. D. Bradshaw

Peter M.D. Bradshaw, Director

/s/ James S. Gilbert

James S. Gilbert, Director

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

(Stated in Canadian dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
EXPENSES				
Accounting, legal and audit	922	277	3,217	20,668
Depreciation	7,999	6,172	23,998	6,172
Foreign exchange loss (gain)	(75,923)	(5,409)	116,242	(189,755)
General exploration	16	676	1,315	2,147
Insurance	3,444	3,186	10,024	9,535
Interest expense (note 11)	139,463	118,373	418,861	331,508
Management fees and salaries	64,918	161,434	212,624	302,117
Office and administration	3,298	4,888	13,585	15,941
Property tax and other	-	2,609	-	23,542
Share-based compensation (note 12)	95,149	-	531,086	434,892
Travel, promotion & communications	86,918	18,076	198,113	97,005
Trust and filing fees	4,547	624	24,759	24,174
Loss before other items	(330,751)	(310,906)	(1,553,824)	(1,077,946)
OTHER ITEMS				
Loss on sale of marketable securities	-	-	(37,131)	(15,302)
Interest income	3,129	4,637	15,773	13,415
	3,129	4,637	(21,358)	(1,887)
Net loss for the period	(327,622)	(306,269)	(1,575,182)	(1,079,833)
Other comprehensive loss				
Items that may be reclassified to income:				
Unrealized gain (loss) on marketable securities	-	(6,537)	(6,521)	(11,058)
Comprehensive loss for the period	(327,622)	(312,804)	(1,581,703)	(1,090,891)
Basic and diluted loss per share (note 13)	(0.002)	(0.002)	(0.010)	(0.007)
Weighted average number of common shares outstanding	163,767,439	147,197,875	161,247,162	146,451,505

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

(Stated in Canadian dollars)

	Share Capital		Other Equity Reserve \$	Deficit \$	Accumulated Other Comprehensive Loss \$	Total \$
	Number of Shares #	Amount \$				
Balance, December 31, 2018	146,020,339	32,147,922	6,045,124	(35,340,630)	(41,193)	2,811,223
Private placement	8,333,333	1,250,000	-	-	-	1,250,000
Share issue costs	-	(10,894)	-	-	-	(10,894)
Options exercised	375,000	89,888	(33,638)	-	-	56,250
Share-based compensation	-	-	434,892	-	-	434,892
Adjustment on sale of marketable securities	-	-	-	-	19,939	19,939
Loss for the period	-	-	-	(1,079,833)	-	(1,079,833)
Other comprehensive loss	-	-	-	-	(11,058)	(11,058)
Balance, September 30, 2019	154,728,672	33,476,916	6,446,378	(36,420,463)	(32,312)	3,470,519
Loss for the period	-	-	-	(165,737)	-	(165,737)
Other comprehensive loss	-	-	-	-	3,268	3,268
Balance, December 31, 2019	154,728,672	33,476,916	6,446,378	(36,586,200)	(29,044)	3,308,050
Private placement	8,333,332	1,500,000	-	-	-	1,500,000
Share issue costs	-	(31,906)	-	-	-	(31,906)
Options exercised	1,200,000	237,910	(92,910)	-	-	145,000
Share-based compensation	-	-	531,086	-	-	531,086
Adjustment on sale of marketable securities	-	-	-	-	35,565	35,565
Loss for the period	-	-	-	(1,575,182)	-	(1,575,182)
Other comprehensive loss	-	-	-	-	(6,521)	(6,521)
Balance, September 30, 2020	164,262,004	35,182,920	6,884,554	(38,161,382)	-	3,906,092

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(Stated in Canadian dollars)

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Cash provided by (used for):				
Operating activities				
Net loss for the period	(327,622)	(306,269)	(1,575,182)	(1,079,833)
Add items not involving cash:				
Depreciation	7,999	6,172	23,998	6,172
Share-based compensation	95,149	-	531,086	434,892
Accrued interest included in loan payable	65,198	19,106	268,429	182,127
Loss on sale of marketable securities	-	-	37,131	15,302
Unrealized foreign exchange gain on loan payable	(82,047)	(34,882)	147,062	(216,150)
	<u>(241,323)</u>	<u>(315,873)</u>	<u>(567,476)</u>	<u>(657,489)</u>
Changes in non-cash working capital components:				
Amounts receivable	(15,542)	27,217	(26,424)	24,431
Prepaid expenses	34,510	13,784	22,967	(9,628)
Accounts payable and accrued liabilities	7,723	3,978	25,289	(21,995)
Current portion of lease liability	(1,389)	-	(4,673)	-
Interest payable	(1,447)	48,061	1,750	43,897
	<u>(217,468)</u>	<u>(222,833)</u>	<u>(548,568)</u>	<u>(620,785)</u>
Proceeds				
Financing activities *				
Cash proceeds from shares issued	120,000	1,306,250	1,645,000	1,306,250
Share issue costs	-	(10,894)	(31,906)	(10,894)
from long-term debt	-	4,000,000	-	4,000,000
Repayment of lease liability	(7,577)	-	(21,384)	-
Loan payments	-	(3,983,046)	(724,743)	(3,983,046)
Proceeds from sale of marketable securities	-	-	19,693	24,850
	<u>112,423</u>	<u>1,312,310</u>	<u>886,660</u>	<u>1,337,160</u>
Investing activities *				
Reclamation deposit	(444)	(166)	(547)	(267)
Exploration and evaluation expenditures	(274,340)	(43,841)	(672,960)	(165,551)
	<u>(274,784)</u>	<u>(44,007)</u>	<u>(673,507)</u>	<u>(165,818)</u>
Net cash provided (used) during period	(379,829)	1,045,470	(335,415)	550,557
Cash – beginning of period	1,772,859	954,680	1,728,445	1,449,593
Cash - end of period	1,393,030	2,000,150	1,393,030	2,000,150

* **Supplemental disclosure of non-cash financing and investing activities**

Interest received	3,479	4,752	15,954	13,463
Accounts payable related to mineral properties	22,304	1,140	22,304	1,140

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Unaudited)

(Stated in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

FPX Nickel Corp. (the “Company”) is incorporated under the *Business Corporations Act* (Alberta) and is involved in the acquisition and exploration of mineral property interests that are considered potential sites of economic mineralization. On May 25, 2017, the Company’s shareholders approved a special resolution to change the Company’s name from First Point Minerals Corp. to FPX Nickel Corp. The name change became effective on May 30, 2017. At the date of these condensed consolidated interim financial statements, the Company has not identified a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of these properties.

On September 4, 2019, the Company closed amended and new loan agreements to extend the maturity of its long-term debt from September 4, 2020 to September 4, 2022 and September 4, 2025. On closing of the new and amended loan agreements, the Company’s long-term debt was as follows:

- Loan from Peter Bradshaw, the Company’s Chairman and largest shareholder, with principal of C\$4 million and accrued interest due on September 4, 2025 (the “**Bradshaw Loan**”);
- Loan from a private shareholder with principal of US\$2.5 million and accrued interest due on September 4, 2022 (the “**Private Shareholder Loan**”).

On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of \$0.55 per share in settlement of the \$4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan.

The Private Shareholder Loan bears a headline interest rate of 7.5%, of which 2% will be paid currently, on a semi-annual basis, and the remaining 5.5% is payable at the respective maturity date. The Private Shareholder Loan is secured by a fixed and specific charge against the Company’s Decar mineral claims. There are no covenant provisions associated with the Loan, which may be repaid, in whole or in part, prior to the maturity date and without penalty, at the Company’s option. The terms of the Loans are more fully described in Note 11 – Loans Payable.

The Company has not generated revenue from operations. The Company incurred a net loss of \$1,575,182 (2019 – \$1,079,833) during the nine months ended September 30, 2020 and as of that date the Company’s deficit was \$38,161,382 (December 31, 2019 - \$35,586,200). As the Company is in the exploration stage, the recoverability of the costs incurred to date on its exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties.

While the Company’s working capital position at September 30, 2020 was \$1,182,840 (December 31, 2019 - \$1,567,797), the Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

These condensed consolidated interim financial statements include the financial statements of the Company and its subsidiary. They are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. The head office and principal address of the Company is Suite 620 – 1155 West Pender Street, Vancouver, British Columbia V6E 2P4. The Company’s registered and records office is 4500 Bankers Hall East, 855 Second Street SW, Calgary, Alberta T2P 4K7.

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(Stated in Canadian Dollars)

2. BASIS OF PREPARATION

(a) *Statement of compliance*

The condensed consolidated interim financial statements for the nine months ended September 30, 2020, including comparatives for the prior period, were prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with those followed in the most recent annual consolidated financial statements. The Company operates in one reportable operating segment being the exploration of mineral properties.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on November 25, 2020.

(b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Although management uses historical experience and its best knowledge of the amounts, events or actions to form the basis for judgments and estimates, actual results could differ from these estimates.

3. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019
Cash on deposit	\$ 161,910	\$ 132,425
Liquid short term investments	<u>1,231,120</u>	<u>1,596,020</u>
Cash and cash equivalents	<u>\$ 1,393,030</u>	<u>\$ 1,728,445</u>

4. AMOUNTS RECEIVABLE

The Company’s receivables arise mainly from amounts due from Canadian government taxation authorities in relation to GST receivable and mineral exploration cost recoveries.

5. PREPAID EXPENSES

The Company’s prepaid expenses consist of the following:

	September 30, 2020	December 31, 2019
Insurance	\$ 6,892	\$ 3,122
Vendor prepayments	<u>10,194</u>	<u>36,932</u>
Total	<u>\$ 17,086</u>	<u>\$ 40,054</u>

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

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6. RECLAMATION DEPOSITS

The Company has provided deposits as security against potential future reclamation work relating to three of its mineral properties. As at September 30, 2020, a total of \$133,288 (December 31, 2019 - \$117,741) has been provided in the form of cash and Guaranteed Investment Certificates posted with the Minister of Finance for the Province of British Columbia for the benefit of the provincial Ministry of Energy and Mines.

7. MARKETABLE SECURITIES

Marketable securities consist of equity securities over which the Company does not have control or significant influence. Unrealized gains and losses due to period end revaluations to fair value are included in other comprehensive loss for the period. At December 31, 2019, the Company owned 163,416 shares of Aquila Resources Inc., the shares of which are traded on the Toronto Stock Exchange. During the nine months ended September 30, 2020, the Company sold all remaining 163,416 shares for gross proceeds of \$19,904.

	September 30, 2020	December 31, 2019
Marketable securities – fair value	\$ N/A	\$ 27,781
Marketable securities – cost	N/A	56,809

8. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2020, the Company holds a 100% interest in five nickel properties, four of which are located in British Columbia (Decar, Wale, Orca and Klow), and one located in the Yukon Territory (Mich). With the exception of the Decar district, the Company's nickel properties are all in the early stage of exploration.

Under the terms of an option agreement entered into in November 2009, Cliffs held the right to earn an initial 51% interest in the Decar district by spending US\$4,500,000 on the property over four years. Pursuant to an amended agreement dated September 12, 2011, by agreeing to complete the scoping study within 18 months, Cliffs was deemed to have earned an initial 51% interest in the Decar district and the Company was deemed to have earned a 1% NSR royalty in the Decar district. On delivery of the Preliminary Economic Assessment in April 2013, Cliffs earned an additional 9% interest in Decar, bringing its aggregate interest to 60%. In August 2015, the structure of ownership of the Decar district converted to a contractual joint venture, with initial ownership interests fixed at 60% for Cliffs and 40% for FPX Nickel.

On November 18, 2015, the Company purchased Cliffs' 60% ownership of the Decar district for an acquisition price of US \$4.75 million (CDN \$6.27 million). The Company owns 100% of the Decar district.

During the year ended December 31, 2014, deferred acquisition and exploration costs incurred on three of the Company's British Columbia nickel properties (Wale, Orca and Klow) totaling \$2,441,636 were written off as the Company has no plans at this time to perform significant work on those properties. The Company retains the underlying mineral claims for these properties in good standing. As of September 30, 2020, these properties are carried at a nominal value of \$1 per property.

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(Stated in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS *(continued)*

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance December 31, 2018 \$	Acquisition Costs \$	Exploration Costs \$	Recoveries \$	Costs Written Off \$	Balance December 31, 2019 \$
CANADA						
Decar	8,307,686	1,312	350,237	(29,146)	-	8,630,089
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	854,442	10,080	-	-	-	864,522
Total Costs – Exploration & Evaluation Assets	9,162,131	11,392	350,237	(29,146)	-	9,494,614

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance December 31, 2019 \$	Acquisition Costs \$	Exploration Costs \$	Recoveries \$	Costs Written Off \$	Balance September 30, 2020 \$
CANADA						
Decar	8,630,089	-	697,964	-	-	9,328,053
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	864,522	-	-	-	-	864,522
Total Costs – Exploration & Evaluation Assets	9,494,614	-	697,964	-	-	10,192,578

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	September 30, 2020	December 31, 2019
Trade payables	\$ 69,451	\$ 41,858
Other liabilities	40,000	20,000
Total	\$ 109,451	\$ 61,858

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

*(Unaudited)**(Stated in Canadian Dollars)***10. RIGHT-OF-USE ASSET/LEASE LIABILITY****(a) Right-of-use asset**

As at September 30, 2020, the right-of-use asset recorded for the Company's office premises was as follows:

	2020
As at December 31, 2019	\$ 82,660
Depreciation	(23,998)
As at September 30, 2020	\$ 58,662

(b) Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	2020
Undiscounted minimum lease payments:	
Total	\$ 68,212
Effect of discounting	(4,710)
Present value of minimum lease payments	63,502
Less current portion	(33,000)
Long-term portion	\$ 30,502

(c) Lease liability continuity

The net change in the lease liability is as follows:

	2020
As at December 31, 2019	\$ 84,886
Cash flows:	
Principal payments	(21,384)
As at September 30, 2020	\$ 63,502

During the nine months ended September 30, 2020, interest of \$4,256 (2019 – nil) is included in interest expense.

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2020

(Unaudited)

(Stated in Canadian Dollars)

11. LOAN PAYABLE

Loans payable for the Company is comprised of the following:

	September 30, 2020	December 31, 2019
Bradshaw Loan:		
Principal	\$ 4,000,000	\$ 4,000,000
Accrued interest	241,406	96,816
	<u>4,241,406</u>	<u>4,096,816</u>
Reclassified to interest payable	<u>(80,000)</u>	<u>(80,000)</u>
	<u>4,161,406</u>	<u>4,016,816</u>
Private Shareholder Loan:		
Principal	3,334,667	3,247,000
Accrued interest	201,394	728,128
	<u>3,536,061</u>	<u>3,975,128</u>
Reclassified to interest payable	<u>(66,693)</u>	<u>(64,943)</u>
	<u>3,469,368</u>	<u>3,910,185</u>
Total	\$ 7,630,774	\$ 7,927,001

On September 4, 2019, the Company closed a loan agreement with the Company's Chairman, Peter M.D. Bradshaw, through which a trust controlled by Mr. Bradshaw loaned C\$4 million to the Company (the "Bradshaw Loan"). 100% of the proceeds were used to make an early, partial repayment of 50% of the principal (US\$ 2.5 million; C\$3,315,650) and accrued interest (US\$500,000; C\$663,130) of the Private Shareholder Loan. On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of \$0.55 per share in settlement of the \$4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan. See Note 18 – Subsequent Events.

On September 4, 2015, the Company entered into an arm's-length loan agreement with an individual shareholder of the Company (the "Private Shareholder"), through which the Private Shareholder lent US \$5.0 million (C\$6.68 million) to the Company for a five-year period at a 6.5% headline interest rate (the "Private Shareholder Loan"). Of this, 1.5% was paid currently, on a semi-annual basis, and the remaining 5% was accrued and is payable at the end of the loan term. In addition, the Private Shareholder received a drawdown fee equal to 4% of the loan amount and a 1% NSR royalty over the Decar mineral claims. On September 4, 2019, the Company closed an amended and restated loan agreement with the Private Shareholder to extend the loan's maturity date from September 4, 2020 to September 4, 2022.

Pursuant to the loan agreements:

- The headline interest rate is 7.5%, of which 2% will be paid currently, on a semi-annual basis, and the remaining 5.5% will be accrued on a non-compounding basis and paid at the loan maturity dates.
- There are no covenant provisions associated with the loans, which may be repaid, in whole or in part and without penalty, at the Company's option prior to the maturity dates on any semi-annual interest payment date.
- In the event of a change of control (as defined) of the Company prior to September 4, 2022, whether or not the loans have been settled by early repayment prior to September 4, 2022, a premium of 7.5% of the Bradshaw Loan principal of C\$4 million and of the Private Shareholder Loan principal of US\$2.5 million will be payable to Mr. Bradshaw and the Private Shareholder, respectively.
- In the event of a change of control of the Company between September 4, 2022 and September 4, 2025, whether or not the Bradshaw Loan has been settled by early repayment prior to September 4, 2025, a premium of 10% of the Bradshaw Loan principal of C\$4 million will be payable to Mr. Bradshaw.

FPX NICKEL CORP. (FORMERLY FIRST POINT MINERALS CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(Stated in Canadian Dollars)

11. LOAN PAYABLE (continued)

- The Private Shareholder Loan continues to hold a fixed and specific charge against the Company's Decar mineral claims.
- The Private Shareholder Loan continues to receive a 1% NSR royalty over the Decar mineral claims.

On March 20, 2020, the Company made a partial repayment of accrued interest (US\$500,000; C\$724,743) owing under the terms of the Private Shareholder Loan.

The Company's policy is to present interest payable on the loans in the next 12 months as a current liability. Accordingly, at September 30, 2020, \$80,000 (December 31, 2019 – \$80,000) and \$66,693 (December 31, 2019 – \$64,943) has been reclassified from loans payable to interest payable for the Bradshaw and Private Shareholder Loans, respectively. As at September 30, 2020, the loans payable balance includes accrued interest of \$161,406 (December 31, 2019 – \$16,816) and \$134,700 (December 31, 2019 – \$663,185) for the Bradshaw and Private Shareholder loans, respectively.

At September 30, 2020, the fair value of the loans payable were approximately as follows:

- Bradshaw Loan – \$3,683,000 (December 31, 2019 – \$3,706,000). Present value was calculated using the following attributes – future lump sum of \$5,320,000, 59 months to maturity, and a discount rate of 7.5% discounted annually.
- Private Shareholder Loan – \$3,205,144 (December 31, 2019 – \$3,911,000). Present value was calculated using the following attributes – future lump sum of \$3,698,990, 23 months to maturity, an exchange rate of CDN \$1 = US \$0.75, and a discount rate of 7.5% discounted annually.

Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the loan payable as an asset.

The net change in the loans payable is as follows:

Balance at December 31, 2019	\$	7,927,001
Cash repayment – accrued interest		(724,743)
Cash repayment – current interest		(146,175)
Accrued interest		414,606
Foreign exchange movement		161,835
Reclassified to interest payable		(1,750)
Balance at September 30, 2020	\$	7,630,774

12. SHARE CAPITAL

- (a) Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of first and second preferred shares. None of the preferred shares have been issued.
- (b) Issued and outstanding

On March 11, 2020, the Company closed a private placement of 8,333,332 shares at a price of \$0.18 per share, for gross proceeds of \$1,500,000. Finders' fees of \$22,140 were paid on a portion of the proceeds.

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(Unaudited)

(Stated in Canadian Dollars)

12. SHARE CAPITAL *(continued)*

During the nine months ended September 30, 2020, the Company issued 1,200,000 shares as the result of a like number of options being exercised. The amount recorded as share capital was \$237,910 which amount consisted of cash of \$145,000 and an additional sum of \$92,910, the latter being the fair value originally attributable to the options upon vesting, which amount was removed from other equity reserve.

On September 17, 2019, the Company closed a private placement of 8,333,333 shares at a price of \$0.15 per share, for gross proceeds of \$1,250,000. Finders' fees of \$2,700 were paid on a portion of the proceeds.

During the year ended December 31, 2019, the Company issued 375,000 shares as the result of a like number of options being exercised. The amount recorded as share capital was \$89,888 which amount consisted of cash of \$56,250 and an additional sum of \$33,638, the latter being the fair value originally attributable to the options upon vesting, which amount was removed from other equity reserve.

(c) Stock options

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, employees and consultants of the Company at exercise prices determined by their market value on the date of the grant. The options vest immediately on the date of the grant or as otherwise determined at the discretion of the Board.

On March 11, 2020, the Company granted directors, officers, and employees an aggregate of 3,100,000 options to purchase shares at an exercise price of \$0.20 per share, all of which vested immediately. The options will expire on March 11, 2025.

On August 14, 2020, the Company granted a director 250,000 options to purchase shares at an exercise price of \$0.45 per share, all of which vested immediately. The options will expire on August 14, 2025.

Stock option transactions during the periods ended September 30, 2020 and December 31, 2019, and the number of stock options outstanding and exercisable at September 30, 2020 are summarized as follows:

	Number of Options	Weighted- Average Exercise Price (\$)	Weighted-Average Contractual Remaining Life (Years)
Balance, December 31, 2018	11,175,000	0.14	3.05
Granted	2,900,000	0.20	
Exercised	(375,000)	0.15	
Expired	(1,000,000)	0.15	
Balance, December 31, 2019	12,700,000	0.15	2.81
Granted	3,350,000	0.22	
Exercised	(1,200,000)	0.12	
Balance, September 30, 2020	14,850,000	0.17	2.68
Exercisable at September 30, 2020	14,850,000		

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12. SHARE CAPITAL *(continued)*

Summary of stock options outstanding at September 30, 2020:

<u>Number Outstanding</u>	<u>Exercise Price (\$)</u>	<u>Expiry Date</u>
2,250,000	0.10	May 12, 2021
2,300,000	0.15	March 30, 2022
250,000	0.15	September 6, 2022
250,000	0.10	November 21, 2022
3,550,000	0.15	March 23, 2023
2,900,000	0.20	March 28, 2024
3,100,000	0.20	March 11, 2025
250,000	0.45	August 14, 2025
14,850,000		

(d) Share-based compensation:

The weighted average fair value of stock options granted during the periods ended September 30, 2020 and December 31, 2019 and was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Expected dividend yield	0%	0%
Risk-free interest rate	0.54%	1.5%
Expected stock price volatility	133%	142%
Expected life of options	5 years	5 years
Weighted average fair value per stock option	\$0.16	\$0.15

Share-based compensation expense of \$531,086 was recorded during the nine months ended September 30, 2020 (2019 - \$434,892). The offsetting credit was to other equity reserve.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

(e) Other equity reserve

The following is a summary of the components of other equity reserve at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Share options	\$ 6,526,907	\$ 6,088,731
Finders' warrants	357,647	357,647
Total other equity reserve	\$ 6,884,554	\$ 6,446,378

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13. LOSS PER SHARE

Loss per share has been calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share has not been calculated as it is anti-dilutive.

14. RELATED PARTY TRANSACTIONS

At September 30, 2020, liabilities included \$30,892 (December 31, 2019 – \$14,459) due to related parties. Amounts due to related parties are unsecured and non-interest bearing.

During the nine months ended September 30, 2020, the Company entered into the following related party transactions:

- paid or accrued \$125,000 (2019 - \$212,500) in fees to Martin Turenne Consulting Ltd., a private company controlled by Martin Turenne, the Company's President and Chief Executive Officer, for management and administrative services.
- paid or accrued \$45,145 (2019 - \$53,410) in fees to Adera Company Management Inc., a private company controlled by J. Christopher Mitchell, the Company's Chief Financial Officer and Corporate Secretary, for management and administrative services.
- Paid or accrued \$19,200 (2019 - nil) in fees to Stuart Harshaw Consulting, a private company controlled by Stuart Harshaw, a Director of the Company, for advisory services.
- paid or accrued \$34,313 (2019 - \$13,950) in fees to P.J. Marshall Consulting Inc., a private company controlled by Peter Marshall, a Director of the Company, for advisory services.

The amounts charged to the Company for the services provided have been determined by negotiations between the parties and are covered by a signed agreement. These services were in the normal course of operations and management believes that they were incurred on a basis consistent with comparable transactions between other non-related parties.

The Company considers its Officers to be key management personnel. Amounts paid to the key management personnel during the nine months ended September 30, 2020 and 2019 are shown in the following table:

	2020	2019
Salaries or fees	\$ 170,145	\$ 265,910
Share-based payments	112,480	160,000
Total key management personnel	\$ 282,625	\$ 425,910

15. COMMITMENTS

As of September 30, 2020, the Company's aggregate commitments are as follows:

	< 1 year	1 – 3 years	4 -6 years	Total
Accounts payable and other liabilities	\$ 109,451	\$ -	\$ -	\$ 109,451
Office lease - undiscounted	33,000	30,502	-	63,502
Interest payable and loan payable	146,693	4,111,531	5,480,000	9,738,223
Totals	\$ 289,144	\$ 4,142,033	\$ 5,480,000	\$9,911,176

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15. COMMITMENTS (continued)

On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of \$0.55 per share in settlement of the \$4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan. See Note 11 – Loans Payable.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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); and

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

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

	September 30, 2020	December 31, 2019
	Level 1	Level 1
Cash and cash equivalents	\$ 1,393,030	\$ 1,728,445
Marketable securities	-	27,781

The carrying value of receivables, reclamation bonds and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statements of financial position and arises from the Company's cash and cash equivalents, marketable securities, receivables, excluding GST receivable and British Columbia mineral exploration tax credits receivable, and reclamation deposits.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

The Company's cash and cash equivalents and marketable securities are held in accounts with Canadian chartered banks and a brokerage firm. Cash in excess of the amounts needed to fund the Company's day-to-day operating expenses is invested in securities guaranteed by the federal or British Columbia government. The reclamation deposits are in the form of Guaranteed Investment Certificates pledged to the Minister of Finance for the Province of British Columbia to cover the estimated cost of reclaiming the Company's exploration projects.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had cash and cash equivalent balances of \$1,393,030 to settle current liabilities of \$289,144. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Since inception, the Company has financed its cash requirements primarily by issuing securities. On September 4, 2019, the Company entered into new and amended loan agreements. The Loans bear a headline interest rate of 7.5%, of which 2% will be paid currently, on a semi-annual basis, and the remaining 5.5% is payable at the respective maturity dates of the Loans. The timing of cash outflows relating to financial liabilities are outlined in Note 15 – Commitments. At September 30, 2020, the Company had met all the obligations associated with its financial liabilities.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash and cash equivalents balances and periodically monitors the investments it makes and is satisfied with the credit ratings of the financial institutions it deals with and the securities in which its funds are invested. The interest rate on the Company's loans, which mature on September 4, 2022 and September 4, 2025, is 7.5%, and the loans are repayable before maturity at any time at the Company's option without penalty.

(b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. In addition, one of the Company's loans payable, which matures on September 4, 2022, is denominated in United States dollars. The Company funds certain operations, exploration and administrative expenses in the United States and other foreign countries by converting funds from its Canadian dollar bank accounts and wiring US funds to the foreign counterparty. Management does not currently hedge its foreign exchange risk.

Sensitivity Analysis

The Company works toward its capital management objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile. Its capital management objectives have not changed over the period presented.

The carrying value of cash and cash equivalents, marketable securities, receivables, reclamation deposits, accounts payable and current liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

The Company is not subject to any financial covenants. The Company monitors its financing requirements through cash forecasting, consideration of current economic conditions and reviews of economic and political commentaries in respect of future developments. Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to issue equity include the amount of cash sought, the availability of these sources and their terms.

17. CAPITAL MANAGEMENT

At September 30, 2020, the Company had working capital of \$1,182,840 (December 31, 2019 - \$1,567,797). The Company manages its cash, cash equivalents and common shares as capital. The Company's objectives in managing its capital are to:

- Maintain sufficient cash and cash equivalents to last a minimum of one year;
- Have the flexibility to achieve its on-going business objectives, including but not limited to funding work programs on its exploration and evaluation assets and pursuing new business opportunities as they arise, and
- Minimize dilution to existing shareholders.

The Directors have not specified a quantitative return on capital criteria for management, but rather rely on the expertise of management to sustain future development of the business.

The Company's exploration and evaluation assets are in the development stage and the Company does not generate a positive cash flow. As a consequence, the Company relies on accessing the capital markets to obtain the funds needed to carry on its business. It is the Company's intention to utilize its existing working capital and to raise additional funds as needed. The additional funds will be raised primarily through the issuance of its securities in private placements.

18. SUBSEQUENT EVENTS

On October 20, 2020, the Company closed a private placement of 8,963,636 shares at a price of \$0.55 per share, for gross proceeds of \$4,930,000. Finders' fees of \$135,210 were paid on a portion of the proceeds.

On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of \$0.55 per share in settlement of the \$4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan.