ARCUS

DEVELOPMENT GROUP Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

JANUARY 31, 2020

(Unaudited)

(These financial statements have not been reviewed by the Company's auditors)

ARCUS DEVELOPMENT GROUP INC.
Condensed Interim Statements of Financial Position (Unaudited, expressed in Canadian dollars)
As at

	Note	January 31, 2020	July 31, 2019
		$	$
ASSETS			
Current assets			
Cash		4,507	28,299
Amounts receivable	7	1,285	437
Prepaid expenses		1,031	-
		6,823	28,736
Non current assets			
Exploration and evaluation property interests	5	4	4
Total assets		6,827	28,740
EQUITY AND LIABILITIES			
Current liabilities			
Trade accounts payable	6	6,638	6,946
Demand loans	9	35,000	-
Total liabilities		41,638	6,946
Equity			
Share capital	5, 8	9,341,478	9,341,478
Share option reserve		1,076,000	1,076,000
Share compensation reserve		135,000	135,000
Other reserve		605,605	605,605
Deficit		(11,192,894)	(11,136,289)
Total equity		(34,811)	21,794
Total equity and liabilities		6,827	28,740
Nature of operations and going concern	1, 2		

Approved by the Board of Directors:

"Ian J. Talbot"	*"James Gray"*
Director	Director

ARCUS DEVELOPMENT GROUP INC.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited, expressed in Canadian dollars)

	Note	For the three months ended January 31, 2020	For the three months ended January 31, 2019	For the six months ended January 31, 2020	For the six months ended January 31, 2019
		$	$	$	$
Expenses					
Exploration and evaluation expenditures – net of recoveries	5	2,372	3,278	5,204	8,074
Bank charges and interest		168	105	235	215
Communications		1,480	180	1,660	1,125
Consultants		1,286	993	2,231	2,135
Insurance		-	-	7,875	13,924
Office and sundry		9	119	32	163
Professional fees		14,023	12,900	24,129	14,436
Rent		4,500	4,500	9,000	9,000
Trust and filing		5,562	4,356	6,239	4,963
Net loss and comprehensive loss for the period		29,400	26,431	56,605	54,035
Loss per share		$ 0.00	$ 0.00	$ 0.00	$ 0.00
Weighted average number of common shares outstanding		76,278,065	76,278,065	76,278,065	76,278,065

ARCUS DEVELOPMENT GROUP INC.

Condensed Interim Statements of Cash Flows (Unaudited, expressed in Canadian dollars)

	Note	For the three months ended January 31, 2020	For the three months ended January 31, 2019	For the six months ended January 31, 2020	For the six months ended January 31, 2019
		$	$	$	$
Cash provided by (used for):					
Operating activities					
Net loss for the period		(29,400)	(26,431)	(56,605)	(54,035)
Changes in non-cash working capital components:					
Amounts receivable	7	(834)	(841)	(848)	1,144
Prepaid expenses		(1,031)	-	(1,031)	6,424
Trade accounts payable	6	(5,015)	456	(308)	(4,277)
		(36,280)	(26,816)	(58,792)	(50,744)
Financing activities*					
Receipt of demand loans	9	20,000	-	35,000	-
		20,000	-	35,000	-
Net cash used during the period		(16,280)	(26,816)	(23,792)	(50,744)
Cash, beginning of period		20,787	103,698	28,299	127,626
Cash, end of period		4,507	76,882	4,507	76,882

* ***Supplementary Disclosure of Non-Cash Investing Activity***

Refer to note 5.

ARCUS DEVELOPMENT GROUP INC.

Condensed Interim Statements of Changes in Equity (Unaudited, expressed in Canadian dollars)

	Common Shares		Share Option Reserve	Share Compensation Reserve	Other Reserve	Deficit	Total Equity
	Number	Amount					
		$	$	$	$	$	$
August 1, 2018	76,278,065	9,341,478	1,076,000	135,000	605,605	(11,028,704)	129,379
Loss for the period	-	-	-	-	-	(54,035)	(54,035)
January 31, 2019	76,278,065	9,341,478	1,076,000	135,000	605,605	(11,082,739)	75,344
August 1, 2019	76,278,065	9,341,478	1,076,000	135,000	605,605	(11,136,289)	21,794
Treasury shares held for cancellation*	(14,400,000)	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(56,605)	(56,605)
January 31, 2020	61,878,065	9,341,478	1,076,000	135,000	605,605	(11,192,894)	(34,811)

* Refer to note 5.

1. NATURE OF OPERATIONS

The Company was incorporated in British Columbia, Canada on June 6, 2006 and is in the business of pursuing and developing property interests that are considered to be sites of potential economic mineralization. The Company's registered office is Suite 1200 – 750 West Pender Street, Vancouver, BC.

The mineral exploration business involves, by its nature, a high degree of risk. There can be no assurance that exploration projects will result in valuable mineral discoveries or profitable mining operations. Additionally, there can be no assurance that a mining operation will achieve profitability once it commences operation.

2. GOING CONCERN

At January 31, 2020 the Company has net negative working capital of $35,846, no source of operating revenue and has incurred losses since inception aggregating $11,192,894. The Company will need to raise additional equity financing to meet future exploration expenditures and general working capital requirements. The Company's continued operations are dependent on its ability to raise the necessary funds through equity issues or the sale of assets. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future.

These condensed interim financial statements have been prepared assuming the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any property and the ability of the Company to continue as a going concern is dependent upon it 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 a property. In the event the Company is not able to obtain adequate funding, there is material uncertainty as to whether the Company will be able to maintain or complete the acquisition of its property interests. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or to obtain adequate financing.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements are unaudited and have been prepared on the historical cost basis in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34"), using accounting policies which are consistent with the International Financial Report Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting principles utilized herein are consistent with those applicable to the annual audited financial statements; however, they lack certain disclosures that are ordinarily only reported in those annual statements. Accordingly, these statements should be read in conjunction with the Company's last annual financial statements as at and for the year ended July 31, 2019 and filed on www.SEDAR.com.

The condensed interim financial statements for the six month period ended January 31, 2020 were approved and authorized for issue by the Audit Committee on March 27, 2020.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed interim financial statements in conformity with IAS 34 requires management to make judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and

3. BASIS OF PRESENTATION *(continued)*

contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these expectations. Revisions to any accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. These condensed interim financial statements do not include all of the information required for full annual financial statements.

Critical judgments in applying accounting policies:

The following is a critical judgment that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the determination that the Company will continue as a going concern for the next year.

Key sources of estimation uncertainty:

- the estimation of the fair value of the liability related to flow-through shares
- the estimation of the fair value of share options and warrants

4. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation property interests

Exploration and evaluation property exploration costs, including option payments incurred in respect to earning a property interest, are expensed until the applicable property interests have reached a stage where their economic viability has been established.

Cost includes any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of exploration and evaluation property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made.

Consistent with the provisions of IFRS 11, cost sharing activities involving other companies but not conducted through separate legal entities are considered to be 'Joint Operations', and are accounted for at cost. Accordingly, in a standard joint venture involving exploration companies in the initial stages of project development, each party recognizes its proportionate share of costs incurred, and in fact incurs such expenditures, based on its percentage of participation in a particular project. To the extent that a party fails to participate in project expenditures, its overall percentage interest in the project is then typically subject to dilution provisions.

Financial risk management

Currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and the United States dollar.

Commodity price risk

Commodity price risk is the risk that the fair value or expected future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time. However, the Company is exposed to commodity price risk as it impacts the Company's access to capital and funding.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and term deposits is limited because of their short-term investment nature. A variable rate of interest is earned on cash and term deposits, changes in market interest rates at the year-end would not have a material impact on the Company's financial statements.

Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

Environmental risk

The Company is engaged in resource exploration and development and is accordingly exposed to environmental risks associated with such activity. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements however there is no certainty that all environmental exposure has been addressed.

Capital disclosures

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, such that it can explore and develop its projects for the benefit of its shareholders and other stakeholders. The Company manages its capital structure and makes adjustments to it based upon changes in economic conditions and the risk characteristics of its assets. The Company may issue new shares through private placements and public offerings in order to maintain or adjust its capital structure. The Company is not subject to any externally-imposed capital requirements.

Accounting standards issued but not yet effective

During the current interim period the Company adopted the requirements of IFRS 16 in respect to lease obligations. However, management determined that it had no leases to which the standard applied, and therefore there was no impact on its financial statements. The Company is also unaware of any applicable but not-yet-adopted standards that are expected to materially affect the financial statements of future periods.

For the six months ended January 31, 2020 (Unaudited, expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION PROPERTY INTERESTS

Schedule of cumulative exploration and evaluation property costs

	Six months ended January 31, 2019	Six months ended January 31, 2020	Balance, July 31, 2019	Balance, October 31, 2019
	$	$	$	$
Dawson Gold Project, Yukon				
Acquisition	-	-	2,072,873	2,072,873
Staking fees	-	-	232,599	232,599
Exploration costs				
Airborne geophysical survey	-	-	576,617	576,617
Assays	7,490	4,720	403,844	408,564
Camp food & accommodation	-	-	182,722	182,722
Consultant's fees	184	484	423,383	423,867
Drilling	-	-	937,373	937,373
Equipment rental	-	-	346,217	346,217
Field personnel	-	-	687,327	687,327
Fixed wing & fuel	-	-	214,615	214,615
Helicopter & fuel	-	-	742,513	742,513
Maintenance costs	400	-	106,509	106,509
Management fees	-	-	80,013	80,013
Transport	-	-	37,046	37,046
Travel	-	-	35,383	35,383
Other field expenses	-	-	28,600	28,600
Yukon Mining Incentive Program rebate	-	-	(37,500)	(37,500)
Exploration and evaluation property costs	8,074	5,204	7,070,134	7,075,338

Dawson Gold Project, Yukon

By an agreement dated June 9, 2009, ATAC Resources Ltd. ("ATAC") granted the Company an option to acquire a 50% interest in each of the Green Gulch, Touleary, Dan Man and Shamrock gold prospects, collectively referred to as the Dawson Gold Project. During the 2012 fiscal year the Company exercised the option and acquired a 50% interest in the Dawson Gold Project by: (i) paying ATAC an aggregate $185,000 by March 1, 2012; (ii) issuing ATAC an aggregate of 1,000,000 Company shares by March 1, 2012; and (iii) incurring aggregate exploration expenditures of $3,500,000 prior to March 1, 2012.

Upon completion of these option requirements, the Company and ATAC formed a 50/50 joint venture to advance the project with the Company acting as Operator. One-half of all subsequent project costs were recovered from ATAC. For accounting purposes this joint venture was considered to be a 'Joint Operation', as described in the Company's significant accounting policies.

Pursuant to the property purchase agreement dated August 2, 2016, the Company acquired ATAC's 50% joint venture interest in the Dawson Gold Project in consideration for the issue of 10,869,910 common shares and 5,000,000 share purchase warrants, and the granting of a 1% net smelter return ("NSR") royalty interest in any future production from any of the four Dawson properties. Each share purchase warrant entitles ATAC to purchase one common share of the Company at a price of $0.20 until August 19, 2021. The share consideration issued has been recorded at a fair value of $1,200,000 based on the value of the Company's shares at the date of issue. The warrants issued were measured using the Black-Scholes option pricing model to derive an estimated fair value of $475,000; no value was assigned to the NSR. Refer also to note 8.

For the six months ended January 31, 2020 (Unaudited, expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION PROPERTY INTERESTS *(continued)*

For financial statement presentation purposes, each of the four prospects is carried on the Company's Statements of Financial Position at $1. The Company's current accounting policy is to expense the related exploration and property acquisition costs as incurred. The historical continuity of these costs is disclosed in the above table.

During the year ended July 31, 2019 the Company sold its interest in the Green Gulch property to Strategic Metals Ltd. ('Strategic'), a public company related by a common senior officer, for consideration comprised of a 0.5% NSR royalty on any future mineral production from the property. Strategic can purchase the Company's royalty interest at any time for $500,000. The Company was unable to fairly or accurately determine a current fair value for the NSR and accordingly no gain or loss was recorded in connection with this transaction.

During the current interim period, the Company sold its 100% interest in the Dan Man property to Goldcorp Kaminak Ltd. ("Goldcorp Kaminak"), a subsidiary of Newmont Goldcorp Corporation ("Newmont"), in consideration for the following: (i) the return of 14,400,000 Arcus shares originally sold to Newmont in October of 2016 as part of a structured financing; and (ii) a 1% NSR royalty interest in any future commercial production from the Dan Man property. Goldcorp Kaminak will have the right to purchase the royalty interest at any time after the closing of the sales transaction for $1,000,000. The Agreement contains customary representations, warranties and covenants for a transaction of this nature, as more fully described in the Management Discussion and Analysis.

For presentation purposes the common shares of the Company held for cancellation reduce the number of common shares shown as issued and outstanding at period-end. However, as the Company previously carried its Dan Man Property interest at a nominal amount of $1 and has assigned that same amount to the NSR royalty received currently, no gain or loss has been reflected in these financial statements in relation to this transaction.

6. TRADE ACCOUNTS PAYABLE

	January 31, 2020	July 31, 2019
	$	$
Financial liabilities		
Trade accounts payable	6,638	6,946

All amounts are short term. The carrying value of trade accounts payable is considered a reasonable approximation of fair value.

7. AMOUNTS RECEIVABLE

The Company has an amount receivable from the Government of Canada for statutory credits and has classified this receivable as a non-financial asset.

8. EQUITY

At January 31, 2020 the authorized share capital consists of an unlimited number of common shares without par value. All issued shares are fully paid.

At January 31, 2020, 5,000,000 warrants as described in note 5 remain outstanding.

At January 31, 2020, there are an aggregate of 3,850,000 stock options outstanding to various directors, officers, consultants and employees of consultants, including 3,600,000 options exercisable to purchase common shares of the Company at $0.14 per share until January 23, 2022, and 250,000 options exercisable to purchase common shares of the Company at $0.16 per share until September 13, 2022.

Refer also to note 5.

9. DEMAND LOANS

These advances totaling $35,000 were received from a director of the Company and a private company controlled by another director of the Company, and are non-interest bearing and due on demand. Subsequent to January 31, 2020 additional non-interest bearing advances totaling $10,000 were received from these parties.

10. EVENTS AFTER THE REPORTING PERIOD

Subsequent to period end, the Company's shareholders endorsed a resolution to consolidate the Company's outstanding share capital on a contemplated four (4) for one (1) basis. The completion, timing and extent of such a consolidation remains subject to the discretion of the Company's board.