



MONETA PORCUPINE MINES INC.

Consolidated Financial Statements

For the six month period ended June 30, 2020

**THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT AND
HAVE NOT BEEN REVIEWED BY THE COMPANY'S AUDITOR**

As at	Notes	(Unaudited) June 30 2020 \$	(Audited) December 31 2019 \$
Current assets			
Cash and equivalents		1,403,511	4,715,417
Prepaid expenses		21,331	26,256
Receivables		40,400	44,567
Sales taxes recoverable		292,605	96,757
Interest receivable		1,225	7,812
Total current assets		1,759,072	4,890,809
Exploration and evaluation assets	5	2,097,072	2,073,444
Total assets		3,856,144	6,964,253
Current liabilities			
Accounts payable and accrued liabilities		169,689	735,419
Deferred premium on flow-through shares	3, 7	-	1,323,296
Total current liabilities		169,689	2,058,715
<i>Going concern</i>	1		
<i>Contingent liabilities</i>	9		
<i>Covid 19 impact</i>	11		
<i>Subsequent events</i>	12		
Shareholders' equity			
Capital stock	6	58,394,566	58,342,255
Contributed surplus		7,935,438	7,943,907
Deficit		(62,643,549)	(61,380,624)
Total shareholders' equity		3,686,455	4,905,538
Total liabilities and shareholders' equity		3,856,144	6,964,253

The accompanying notes are an integral part of these consolidated financial statements.



MONETA PORCUPINE MINES INC.

Consolidated Statements of Changes In Shareholders' Equity

	Notes	Capital Stock		Contributed Surplus	Deficit	Shareholders' Equity
		Shares	\$			
Balance as at December 31, 2019		311,535,482	58,342,255	7,948,148	(61,701,068)	4,589,335
Share issuance on exercise of stock options	6, 8	400,000	38,000			38,000
Fair value of stock options exercised	6		14,311	(14,311)		-
Share based compensation on vested options	6			1,601		1,601
Loss and comprehensive loss					(1,262,925)	(1,262,925)
Balance as at June 30, 2020		311,935,482	58,394,566	7,935,438	(62,963,993)	3,366,011
Balance as at December 31, 2018		266,830,482	53,786,011	7,668,118	(58,038,796)	3,415,333
Share based compensation on vested options	6			44,901		44,901
Loss and comprehensive loss					(1,297,154)	(1,297,154)
Balance as at June 30, 2019		266,830,482	53,786,011	7,713,019	(59,335,950)	2,163,080

The accompanying notes are an integral part of these consolidated financial statements.

Periods ended June 30,	Notes	Three months		Six months	
		2020	2019	2020	2019
		\$	\$	\$	\$
Expenses					
Exploration and evaluation expenditures	5	820,573	1,073,115	2,346,371	1,600,722
Share based compensation	6, 8	1,601	3,226	5,842	44,901
Wages and benefits	8	43,869	52,344	97,238	105,659
General & administration		33,422	10,101	124,149	85,438
Legal & audit		90,187	39,480	98,437	47,730
		989,652	1,178,266	2,672,037	1,884,450
Other items					
Other income		(44,116)	(22,741)	(65,942)	(40,237)
Interest income		(3,055)	(5,660)	(19,874)	(13,726)
Loss before income taxes		942,481	1,149,865	2,586,221	1,830,487
Deferred taxes	7	-	-	(1,323,296)	(533,333)
Loss and comprehensive loss		942,481	1,149,865	1,262,925	1,297,154
Deficit - beginning of period		61,701,068	58,186,085	61,380,624	58,038,796
Deficit - end of period		62,643,549	59,335,950	62,643,549	59,335,950
Loss (earnings) per share (basic and diluted)		\$0.00	\$0.00	\$0.00	\$0.00
Weighted average outstanding shares		311,578,222	266,830,482	311,578,222	266,830,482

The accompanying notes are an integral part of these consolidated financial statements.



MONETA PORCUPINE MINES INC.
Consolidated Statements of Cash Flows

Six months ended June 30,	2020	2019
	\$	\$
Operating activities		
Loss and comprehensive loss	(1,262,925)	(147,289)
Add: non-cash items		
Shared based compensation	6 5,842	41,675
Deferred premium on flow-through shares	3, 7 (1,323,296)	(533,333)
Net change in non-cash working capital balances	(745,899)	177,090
Cash used in operating activities	(3,326,278)	(461,857)
Investing activities		
Exploration and evaluation assets	5 (23,628)	(22,665)
Cash used in investing activities	(23,628)	(22,665)
Financing activities		
Common shares issued on exercise of stock options	6, 8 38,000	-
Cash provided from financing activities	38,000	-
Net increase (decrease) in cash and equivalents	(3,311,906)	(484,522)
Cash and equivalents, beginning of period	4,715,417	1,974,176
Cash and equivalents, end of period	1,403,511	1,489,654

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations and going concern

Nature of operations

Moneta Porcupine Mines Inc. ("Moneta" or the "Company") is a public company listed on the Toronto Stock Exchange (TSX: ME) (OTC: MPUCF) (XETRA: MOP) and incorporated under the laws of the Province of Ontario on October 14, 1910. Moneta is a mineral resource exploration and development company actively exploring for gold on its land package in the Timmins Camp in Timmins, Ontario (Canada). The Company's registered office is 65 Third Avenue, Timmins, Ontario, P4N 1C2. Moneta, a former gold producer, is currently an exploration stage company and has no properties in current production and no production revenues at the present time.

Going concern

On July 23, 2020, the Company completed a non-brokered private placement of 15,036,486 common shares at \$0.14 per share and 19,997,662 common shares at \$0.21 issued on a flow-through basis, for aggregate gross proceeds of \$6,304,617.

These consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2020. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. The COVID-19 pandemic continues to negatively impacting global financial markets and this may adversely affect the Company's ability to raise capital for future exploration.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company operates in one segment defined as the cash generating unit which is Canada. The consolidated financial statements were approved by the Board of Directors of the Company on August 10, 2020.

Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value, as set out in the accounting policies in note 3.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. Significant accounting policies

The principal accounting policies are set out below:

a) Basis of presentation and consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries: Wounded Bull Resources Inc. and 508825 Ontario Ltd. The subsidiaries are inactive with limited operations. The financial statements of subsidiaries are prepared for the same reporting periods as the Company, using consistent

accounting policies. All intercompany balances and transactions have been eliminated upon consolidation. The Company's presentation currency and functional currency is the Canadian Dollar.

b) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the Statements of Loss (Earnings) and Comprehensive Loss (Earnings), except for differences arising on the translation of available for sale equity instruments that are recorded in other accumulated comprehensive income.

The Company translates the assets and liabilities of its wholly-owned subsidiary, Wounded Bull Resources Inc., at the rate of exchange in effect at the reporting date. Income and expenses are translated at the rate of exchange prevailing at the date of the transaction. All resulting exchange differences are recognized in other comprehensive income and accumulated in a cumulative translation reserve under shareholders' equity.

c) Financial instruments**(i) Financial assets*****Classification and measurement***

The Company's business model and a financial instrument's contractual cash flows determine its classification and measurement in the financial statements. Upon initial recognition, each financial asset will be classified as follows:

- Fair value through profit or loss (FVPL);
- Amortized cost; or
- Fair value through other comprehensive income (FVOCI).

Financial assets classified as amortized cost arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Cash, receivables, interest receivable, and sales taxes recoverable are classified as amortized cost.

At period end, the Company does not have any financial assets classified as fair value through profit or loss or fair value through other comprehensive income.

Impairment

IFRS 9 requires an expected credit loss ("ECL") impairment model for all financial assets. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment.

The ECL model requires the recognition of credit losses based on up to 12 months of expected losses for receivables (Stage 1) and the recognition of lifetime expected losses on receivables that have experienced a significant increase in credit risk since origination (Stage 2), and that is for which there is objective evidence of impairment at the reporting date (Stage 3). As at June 30, 2020, there was no material ECL accrued.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the asset expire.

(ii) Financial liabilities***Classification and measurement***

Financial liabilities are classified into one of two categories:

Fair value through profit or loss (FVPL); or
Other financial liabilities.

Other financial liabilities are non-derivative financial liabilities that are not classified as fair value through profit or loss. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities are classified as other financial liabilities.

The Company does not have any financial liabilities classified as fair value through profit or loss.

Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

The fair value of cash, receivables, interest receivable, and sales taxes recoverable, accounts payable and accrued liabilities all approximate their carrying amounts due to their short term maturities.

d) Cash and equivalents

Cash and equivalents include cash in bank and highly liquid investments which are cashable with an original term to maturity of 90 days or less.

e) Exploration and evaluation assets

Acquisition costs related to exploration properties are capitalized as exploration and evaluation assets at fair value at the time of purchase. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.

Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are to be capitalized as Property, Plant and Equipment. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

f) Impairment of long-lived assets

The Company reviews its long-lived assets within its cash generating units, consisting primarily of exploration and evaluation assets, at each reporting period end, for any indicators of impairment whenever events or changes in circumstances indicate that such carrying value may not be recoverable.

To determine whether a long-lived mining asset may be impaired, the recoverable amount is compared to the carrying value of the individual asset. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings). Where it is not possible to estimate the recoverable amount of a specific non-financial asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Statement of Loss (Earnings)

and Comprehensive Loss (Earnings). The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

g) Income taxes

Income taxes are recognized in Loss (Earnings), except where they relate to items recognized in other comprehensive income or directly in capital stock, in which case the related taxes are recognized in Comprehensive Loss (Earnings) or Capital Stock. Deferred income taxes are calculated using the balance sheet liability method for unused tax losses, unused tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates enacted or substantively enacted at the Statement of Financial Position date. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) Share capital

Common shares issued by the Company are classified as capital stock. Incremental costs directly attributable to the issue of new common shares, such as share issue costs, are recognized under capital stock as a deduction from the share proceeds.

i) Flow-through shares

Under Canadian income tax legislation, the Company may issue flow through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A temporary non-cash deferred flow through premium 'liability' is recognized on the Statement of Financial Position. The liability is reversed upon renunciation of such qualifying expenditures to the flow through investors and reported as a reduction in deferred tax expense on the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

j) Share based payments**Stock options**

The fair value of stock options granted to directors, officers, and employees is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yield, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of these share based payments is recognized as a charge to the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) with a corresponding credit to shareholders' equity on the Statement of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Purchase warrants and broker compensation options

Purchase warrants are classified as capital stock and measured at fair value on the date of issue using the Black-Scholes option pricing model. Broker compensation options are classified as issuance costs and a deduction from capital stock and measured at fair value on the date of issue using the Black-Scholes option pricing model. The fair value of the purchase warrants and broker compensation options are not subsequently revalued.

k) Leases

The Company adopted *IFRS 16: Leases* (IFRS 16) which sets out the principles for the recognition, measurement and disclosure of leases and provides guidance on identifying a lease and for separating lease and non-lease components of a contract. The standard introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than twelve-months, unless the underlying asset is of low value. The Company elected not to apply IFRS 16 to its only lease with a term ending within 12 months.

l) Other income recognition

The Company currently has no revenue from active mining operations. Royalty income is recognized in the period in which it is earned in accordance with the terms of the royalty agreement, with collection reasonably assured. Interest revenue is recognized in the period in which it is earned.

m) Other comprehensive loss (earnings)

Other comprehensive loss (earnings) is the change in net assets that results from transactions and events, not included in loss for the period and other than changes in the shareholders' equity. The Company's comprehensive loss (earnings), components of other comprehensive income, and cumulative translation adjustments on foreign currency gains or losses related to foreign operations, are presented in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) and the Statement of Changes in Shareholders' Equity.

n) Loss (earnings) per share

Basic loss (earnings) per share is computed by dividing net loss (earnings) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted loss (earnings) per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

o) Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4. Key sources of estimation uncertainty and judgement

In the application of the Company's accounting policies described in note 3, management is required to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors considered relevant, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the areas involving estimates made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

a) Share based payments

Management measures the fair value of granted stock options using the Black-Scholes option valuation model. The fair value of stock options using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

b) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale of the property, or where exploration activities are not adequately advanced to support a gold resource assessment. The determination is an estimation process that requires varying degrees of uncertainty and these estimates directly impact the deferral of exploration and evaluation expenditures.

c) Impairment of long-lived assets

The carrying amounts of exploration and evaluation assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on a property by property basis. The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, future capital requirements, resource estimates, and exploration potential. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets.

d) Decommissioning and restoration provision

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the period in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Statement of Loss (Earnings), Comprehensive Loss (Earnings).

As the Company has not commenced construction and development of any mining operations, it does not have any provisions for decommissioning or restoration costs.

e) Contingent liabilities

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5. Exploration and evaluation assets

	Six months ended June 30, 2020	Year ended December 31, 2019
Acquisition costs	\$	\$
Balance, beginning of period	2,073,444	2,057,346
Acquisition costs, net	23,628	16,098
Balance, end of period	2,097,072	2,073,444

Acquisition costs	December 31, 2019	Additions / (Disposals)	June 30, 2020
	\$	\$	\$
Golden Highway Project	1,718,832	2,469	1,721,301
North Tisdale	129,890	14,296	144,186
Kayorum	130,134	-	130,134
Nighthawk Lake	19,624	-	19,624
Denton Thornehoe and other	74,964	6,863	81,827
	2,073,444	23,628	2,097,072

Acquisition costs	December 31, 2018	Additions	December 31, 2019
	\$	\$	\$
Golden Highway Project ⁽¹⁾	1,700,943	17,889	1,718,832
North Tisdale	107,367	22,523	129,890
Kayorum	126,347	3,787	130,134
Nighthawk Lake	15,861	3,763	19,624
Denton Thornehoe and other ⁽²⁾	106,828	(31,864)	74,964
	2,057,346	16,098	2,073,444

⁽¹⁾ During 2019, the Company issued 80,000 common shares, valued at \$0.13 per share, to acquire mineral claims within Garrison Township, adjacent to the flagship Golden Highway Project mineral claims.

⁽²⁾ During 2019, an amount of \$40,050 was written off related to a non-core nickel project as the mineral claims were not renewed resulting in the expiry of the property option and return of the claims to the owner.

There were no property disposals and no indications of impairment of exploration and evaluation assets during the six months ended June 30, 2020 (December 31, 2019: \$Nil). An amount of \$40,050 was written off in 2019 related to a non-core nickel project as the mineral claims were not renewed resulting in the expiry of the property option and return of the claims to the owner. Capitalized acquisition costs were \$2,097,072 at June 30, 2020 (December 31, 2019: \$2,073,444). Exploration and evaluation expenditures for the six months ended June 30, 2020 of \$2,346,371 (June 30, 2019: \$1,600,722), including an amount of \$90,000 paid to settle a royalty on a former property option that lapsed, were charged to the Statement of Loss and Comprehensive Loss.

6. Capital stock
Authorized share capital

The Company is authorized to issue an unlimited number of Class A Preferred shares, Class B Preferred shares, Common shares, and Non-voting shares. Class A Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Class B Preferred shares, Common shares and Non-voting shares. Class B Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Common shares and Non-voting shares. The Non-voting shares shall rank equally with Common shares in all respects except that the holders are not entitled to vote at shareholder meetings.

Capital stock transactions

There were no capital stock transactions during the period other than the issuance, exercise and/or expiry of stock options, as outlined below.

In Q1 2020, the non-cash deferred premium on flow-through shares 'liability' of \$1,323,296 from the July 2019 and September 2019 financings was transferred from the statement of financial position to a deferred tax credit on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit when the flow through expenditures were renounced, in the normal course.

In Q1 2019, the non-cash deferred premium on flow-through shares 'liability' of \$533,333 from the June 2018 and December 2018 financings was transferred from the statement of financial position to a deferred tax credit on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit when the flow through expenditures were renounced, in the normal course.

Stock options

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers, employees, and consultants to acquire common shares of the Company. The maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Options granted have a maximum term of five years and vest immediately or over time at the discretion of the Board.

The following table summarizes the outstanding stock options:

	Six months ended June 30, 2020		Year ended December 31, 2019	
	Average Exercise Price	# Options	Average Exercise Price	# Options
Outstanding, beginning of period	\$0.18	19,775,000	\$0.20	16,600,000
Transactions during the period:				
Granted ⁽¹⁾	0.10	500,000	0.11	4,275,000
Options exercised ⁽²⁾	0.10	(400,000)	0.06	(200,000)
Expired ⁽³⁾	0.18	(2,600,000)	0.17	(900,000)
Outstanding, end of period	\$0.18	17,275,000	\$0.18	19,775,000
Weighted average remaining contractual life (years)	1.48		1.77	
Exercisable, end of period	\$0.19	16,631,250	\$0.18	19,306,250

⁽¹⁾ In Q2 2020, the Company granted 500,000 stock options to employees at an average exercise price of \$0.10. The estimated fair value, with a three year term and quarterly vesting period over twenty four months, was \$13,492 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.027 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 59%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

In Q4 2019, the Company granted 2,725,000 stock options to directors, officers and employees at an average exercise price of \$0.11. The estimated fair value, with a three year term and immediate vesting, was \$127,409 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.047 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 62.5%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

In Q3 2019, the Company granted 550,000 stock options to directors, officers and employees at an average exercise price of \$0.13. The estimated fair value, with a three year term and two year and immediate vesting periods, was \$30,172 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.055 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 62.0%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

In Q1 2019, the Company granted 1,000,000 stock options to directors, officers and employees at an average exercise price of \$0.12. The estimated fair value, with a three year term and immediate vesting, was \$58,033 using the Black Scholes valuation model. The weighted average grant date fair value was \$0.058 per stock option. The underlying assumptions used in the estimation of the fair values are, as follows: risk free rate: 1.50%, term: 3 years, expected volatility: 62.1%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

- (2) In Q2 2020, 400,000 stock options were exercised by directors at an average exercise price of \$0.10. The initial fair value of \$14,311, previously charged to contributed surplus, was transferred to capital stock.

In Q4 2019, 200,000 stock options were exercised by directors at an average exercise price of \$0.06. The initial fair value of \$4,787, previously charged to contributed surplus, was transferred to capital stock.

- (3) During 2020, 2,600,000 stock options at an average exercise price of \$0.18 expired unexercised. During 2019, 900,000 stock options at an average exercise price of \$0.17 expired unexercised.

Warrants

	Exercise Price	Expiry Date	Six months ended June 30, 2020 #	Year ended December 31, 2019 #
Outstanding, beginning of period				
Broker Warrants	\$0.16	July 2021	1,452,273	-
			1,452,273	-
Issued during the period				
Broker Warrants ⁽¹⁾	\$0.16	July 2021	-	1,452,273
			-	1,452,273
Outstanding, end of period			1,452,273	1,452,273

- (1) In July 2019, 1,452,273 broker compensation warrants, exercisable at \$0.16 and expiring in July 2021, were issued in connection with the \$3,204,546 equity financing completed in the same period.

7. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rates for the six months ended June 30, 2020 (26.5%) and 2019 (26.5%), has been reconciled as follows:

	Six months ended June 30, 2020 \$	Year ended December 31, 2019 \$
Income tax recovery at statutory rates	685,349	1,026,918
Increase (decrease) related to:		
Flow-through expenditures	(621,788)	(891,829)
Shared based compensation	(424)	(65,112)
Disposition of exploration and evaluation assets	-	(10,613)
Other	16,792	46,645
	79,928	106,009
Valuation allowance	(79,928)	(106,009)
Deferred premium on flow through shares	(1,323,296)	(533,333)
Deferred tax (recovery)	(1,323,296)	(533,333)

The Company's deferred tax assets and liabilities are comprised of the following:

	Six months ended June 30, 2020 \$	Year ended December 31, 2019 \$
Deferred tax assets:		
Net operating loss carry forwards	2,250,000	2,250,000
Net capital loss carry forwards	527,000	527,000
Resource deductions	3,890,000	3,894,000
Other	135,000	187,000
	6,802,000	6,858,000
Less: Valuation allowance	(6,802,000)	(6,858,000)
	-	-

The Company has recorded a valuation allowance as the Company does not consider it more likely than not that the deferred tax assets will be realized in the foreseeable future.

The Company has non-capital losses of \$8,492,000 (2019: \$8,492,000) available for deduction against future taxable income, the balances of which will expire as follows:

Year of expiry	Six months ended June 30, 2020 \$	Year ended December 31, 2019 \$
2026	307,000	307,000
2027	317,000	317,000
2028	652,000	652,000
2029	618,000	618,000
2030	745,000	745,000
2031	940,000	940,000
2032	1,289,000	1,289,000
2033	759,000	759,000
2034	576,000	576,000
2035	453,000	453,000
2036	527,000	527,000
2037	438,000	438,000
2038	471,000	471,000
2039	400,000	400,000
	8,492,000	8,492,000

The potential tax benefit of the above losses has not been recognized in these financial statements. The Company has \$3,977,358 (2019: \$3,977,358) in capital losses available to apply against future capital gains.

8. Related party transactions

The Company paid a salary of \$89,583 in YTD 2020 (YTD 2019: \$100,000) to an officer and director for CEO and Chief Geologist services provided to the Company under an ongoing employment agreement. The Company paid a salary of \$89,583 in YTD 2020 (YTD 2019: \$100,000) to an officer and director for President and CFO and other services provided to the Company under an ongoing employment agreement.

During the period, a total of 400,000 stock options were exercised by a former director of the Company at an average price of \$0.10 for gross proceeds of \$38,000.

There were no cash director fees during the period (YTD 2019: \$NIL). There were no loans to directors or officers during the period (YTD 2019: \$NIL). All related party transactions were completed in the normal course of business.

9. Contingent liabilities

Civil lawsuits

Two parties that own the surface rights and previously occupied and now condemned buildings, on the historic Moneta Mine site located on the Company's Kayorum project, initiated civil suits in the Ontario Superior Court of Justice in April 2005 against the Company, directors of the Company at that time, and other third parties. The suits are related to the 2004 subsidence of the main stope at the historic Moneta Mine.

In 2018, one of the two civil suits was dismissed, without costs, at the request of plaintiff's counsel.

The Company believes the one remaining claim has no merit and intends to defend it vigorously. Accordingly, no provision has been made in these financial statements.

10. Capital management

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the six months ended June 30, 2020.

As at June 30, 2020, the Company had a net working capital of \$1,632,383 (December 31, 2019: \$4,155,390), excluding the non-cash deferred premium on flow through share liability of \$Nil (December 31, 2019: \$1,323,296). The Company held cash in bank at June 30, 2020 of \$1,403,511 (December 31, 2019: \$4,715,417).

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

11. Financial instruments and risk management

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall exploration and development strategy, diversifying risk, mitigation through preventive controls, and transferring risk to third parties.

Fair value

The carrying values for primary financial instruments, including cash and equivalents, receivables, sales taxes recoverable, interest receivable, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions. There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the period. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in four specific areas: the credit risk on operating balances including sales taxes recoverable, royalty income and other receivables, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets. No provision against these credit risk areas has been recognized in these financial statements.

The aggregate gross credit risk exposure at June 30, 2020 was \$1,737,741 (December 31, 2019: \$4,864,553), and was comprised of \$1,403,511 (December 31, 2019: \$4,715,417) in cash held with Canadian financial institutions with a "AA-" credit rating, \$40,400 (December 31, 2019: \$44,567) in receivables, \$292,605 (December 31, 2019: \$96,757) in sales taxes recoverable, and \$1,225 (December 31, 2019: \$7,812) in interest receivable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. This risk is not applicable as the Company is not currently in commercial gold production. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.

12. COVID-19 impact

The Company continues to follow the guidance from relevant authorities regarding the novel COVID-19 pandemic. The safety and health of our employees is paramount and appropriate steps have been taken to ensure the safe physical distancing of employees. The resulting cut-back in activities could potentially result in the delay in the delivery of project initiatives. Despite the recent relaxing of isolation guidelines, the Company continues to monitor the situation and take the necessary steps as required.

As of the filing date of these interim financial statements for the six months ended June 30, 2020, there were no identified indicators of impairment as a result of COVID-19 and, consequently, no adjustments have been made to these interim financial statements.

13. Subsequent events

On July 23, 2020, the Company completed a non-brokered private placement of 15,036,486 common shares at \$0.14 per share and 19,997,662 common shares at \$0.21 issued on a flow-through basis, for aggregate gross proceeds of \$6,304,617.