GFG Resources Inc.

Interim Consolidated Financial Statements

(Unaudited)

For the three and six months ended December 31, 2019 and 2018
Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of GFG Resources Inc. for the three and six months ended December 31, 2019 and 2018 have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

Under National Instruments 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 an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of 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.

GFG RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	December 31, 2019	June 30, 2019
	$	$
Assets		
Current Assets		
Cash (Note 4)	3,485,289	1,561,317
Receivables (Note 5)	100,456	59,778
Prepaid expenses and deposits	70,598	80,012
	3,656,343	1,701,107
Deposits	49,056	51,122
Exploration and evaluation assets (Note 6)	28,048,627	27,178,593
Equipment (Note 7)	196,825	44,777
Reclamation bonds (Note 8)	520,184	532,705
	32,471,035	29,508,304
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	621,796	367,225
Advances from Newcrest (Note 10)	187,137	107,291
Flow-through share premium liability (Note 11)	398,634	120,081
Lease liability (Note 12)	47,500	-
Advance (Note 13)	20,044	20,044
	1,275,111	614,641
Non-current Liabilities		
Lease liability (Note 12)	110,710	-
Asset retirement obligation (Note 14)	278,461	309,007
	1,664,282	923,648
Shareholders' Equity		
Share capital (Note 15)	38,699,796	35,380,921
Reserve (Note 15)	2,007,792	2,659,915
Accumulated other comprehensive loss	(428,505)	(428,505)
Deficit	(9,472,330)	(9,027,675)
	30,806,753	28,584,656
	32,471,035	29,508,304

Commitments (Note 19)

"Patrick Downey"
Patrick Downey, Chair

"Arnold Klassen"
Arnold Klassen, Audit Chair

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

GFG RESOURCES INC.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
	$	**$**	**$**	**$**
Expenses				
Bank charges and interest	836	935	1,467	1,914
Consulting fees	21,036	24,650	21,036	24,650
Depreciation	16,659	4,008	33,199	8,016
Directors' fees	18,160	18,145	36,321	36,290
Insurance	8,354	6,425	16,531	15,885
Investor relations	137,624	110,794	218,478	197,874
Memberships and dues	3,620	3,353	4,514	11,648
Professional fees	13,332	12,927	28,766	52,067
Office	10,282	11,940	17,265	20,455
Regulatory and filing fees	6,097	5,679	12,040	15,836
Rent	-	18,226	-	54,940
Salaries and benefits	104,583	102,604	227,612	218,396
Share-based compensation (Note 15)	67,291	113,238	167,011	240,954
Travel	8,404	4,288	28,140	14,162
	(416,278)	(437,212)	(812,380)	(913,087)
Other income (loss)				
Interest expense (Note 12)	(6,210)	-	(12,856)	-
Recovery of premium on flow-through shares	238,773	241,231	349,623	450,900
Foreign exchange gain (loss)	(25,197)	91,784	(10,856)	77,407
Interest and other income	10,814	31,089	41,814	17,294
	218,180	364,104	367,725	545,601
Net loss and comprehensive loss for the period	(198,098)	(73,108)	(444,655)	(367,486)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding	105,975,659	88,500,083	100,515,154	88,182,365

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

GFG RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the Six Months Ended December 31, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Reserve	Accumulated Other Comprehensive Loss	Deficit	Total
		$	$	$	$	$
Balance at June 30, 2019	**95,054,648**	**35,380,921**	**2,659,915**	**(428,505)**	**(9,027,675)**	**28,584,656**
Shares issued for cash (Note 15 (b))	14,196,368	3,183,353	-	-	-	3,183,353
Share issue costs	-	(76,302)	-	-	-	(76,302)
Flow-through share premium liability (Note 11)	-	(628,176)	-	-	-	(628,176)
Share-based compensation (Note 15)	-	-	187,877	-	-	187,877
RSU redemption (Note 15)	600,000	840,000	(840,000)	-	-	-
Net loss for the period	-	-	-	-	(444,655)	(444,655)
Balance at December 31, 2019	**109,851,016**	**38,699,796**	**2,007,792**	**(428,505)**	**(9,472,330)**	**30,806,753**
Balance at June 30, 2018	**87,864,648**	**33,976,145**	**2,163,601**	**(428,505)**	**(8,146,537)**	**27,564,704**
Shares issued for cash (Note 15 (c))	7,190,000	1,995,500	-	-	-	1,995,500
Share issue costs	-	(31,757)	-	-	-	(31,757)
Flow-through share premium liability (Note 11)	-	(557,500)	-	-	-	(557,500)
Share-based compensation (Note 15)	-	-	290,592	-	-	290,592
Net loss for the period	-	-	-	-	(367,486)	(367,486)
Balance at December 31, 2018	**95,054,648**	**35,382,388**	**2,454,193**	**(428,505)**	**(8,514,023)**	**28,894,053**

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

GFG RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended December 31, 2019	Six Months Ended December 31, 2018
	$	**$**
Operating activities		
Net loss for the period	(444,655)	(367,486)
Items not affecting cash:		
Accretion interest	3,932	4,302
Depreciation	6,042	8,016
Depreciation – right-of-use asset	27,157	-
Foreign exchange	12,521	-
Recovery of flow-through share premium	(349,623)	(450,900)
Share-based compensation	167,011	240,954
Interest expense	12,856	-
Changes in non-cash working capital items:		
Receivables	(40,678)	48,784
Prepaid expenses and deposits	11,480	30,951
Accounts payable and accrued liabilities	232,597	(242,871)
Net cash used in operating activities	(361,360)	(728,250)
Investing activities		
Equipment	(4,200)	(4,700)
Advances from Newcrest	79,846	532,353
Exploration and evaluation assets, net of recoveries	(861,672)	(1,717,195)
Net cash used in investing activities	(786,026)	(1,189,542)
Financing activities		
Proceeds from share issuances, net of issue costs	3,107,051	1,963,743
Lease payments	(35,693)	-
Net cash from financing activities	3,071,358	1,963,743
Net increase in cash	1,923,972	45,951
Cash, beginning of the period	1,561,317	4,248,770
Cash, end of the period	3,485,289	4,294,721

Non-cash transactions:	**$**	**$**
Exploration and evaluation assets expenditures in accounts payable at period end	21,975	421,787
Share-based compensation pertaining to exploration and evaluation assets	20,866	49,638

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

NOTE 1 - Nature and Continuance of Operations

GFG Resources Inc. ("GFG" or the "Company") was incorporated on January 24, 2012, under the laws of the Province of British Columbia, Canada. The principal business of the Company is to acquire, explore and develop interests in exploration and evaluation assets. The Company's head office address is Suite 202 – 640 Broadway Avenue, Saskatoon, Saskatchewan, S7N 1A9. The Company's common shares are listed under the symbol "GFG" on the TSX Venture Exchange ("TSX-V") in Canada and on the OTCQB under the symbol "GFGSF" in the United States.

On February 28, 2018, the Company completed the plan of arrangement with Rapier Gold Inc. ("Rapier") pursuant to which GFG acquired all of the outstanding shares of Rapier (the "Acquisition").

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's ability to continue as a going concern is dependent upon its ability to raise additional funds which is strongly influenced by exploration success and capital market conditions. An inability to raise additional funds will cast doubt on the Company's ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

NOTE 2 - Basis of Preparation

(a) Statement of Compliance

The condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting.

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended June 30, 2019, which were prepared in accordance with IFRS as issued by IASB.

Except for the adoption of IFRS 16, Leases ("IFRS 16"), as described in Note 3 to these condensed interim consolidated financial statements, the accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements for the year ended June 30, 2019.

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on February 13, 2020.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except if otherwise noted. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All figures are presented in thousands of Canadian dollars unless otherwise noted.

(Unaudited - Expressed in Canadian Dollars)

NOTE 2 - Basis of Preparation (continued)

(c) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of GFG and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership	Principle Activities
GFG Resources (US) Inc.	USA	100%	Mineral exploration
JMO Exploration (US) Inc.	USA	100%	Mineral exploration
Rapier	Canada	100%	Mineral exploration
Nat River Gold Inc.	Canada	100%	Mineral exploration

Subsidiaries are those entities which GFG controls by having the power to govern their financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by GFG and are deconsolidated from the date that control ceases. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

NOTE 3 - Significant Accounting Policies

Adoption of new accounting standard

IFRS 16

On July 1, 2019, the Company adopted IFRS 16 Leases which replaces IAS 17 Leases and related interpretations. The new standard eliminates the previous classification of leases as either operating leases or finance leases and introduces a single lessee accounting model which requires lessee to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. At the commencement date of a lease, the Company recognizes a lease liability and an asset representing the right to use the underlying asset during the lease term (i.e. the “right-of-use” asset). The Company recognizes interest expense on the lease liability and depreciation expense on the right-of-use asset.

The Company adopted IFRS 16 using the modified retrospective approach and recognized the right-of-use assets at the amount equal to the lease liabilities. As a result, there was no impact to accumulated deficit upon adoption. In addition, the Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within twelve months as of the date of adoption and lease contracts for which the underlying asset is of low-value. We have also elected not to separate fixed non-lease components from lease components and instead account for each lease component and associated fixed non-lease components as a single lease component.

As at July 1, 2019, the Company recognized $181,047 of right-of-use assets and $181,047 of lease liabilities, with no impact on Deficit. The transition to IFRS 16 did not have a material impact on the Company’s results of operations or liquidity. Lease liabilities have been measured by discounting future lease payments using the Company’s incremental borrowing rate at July 1, 2019 as a rate implicit in the lease was not readily determinable. The rate applied is 15%. Right-of-use assets are recognized in Equipment (see Note 7).

NOTE 4 - Cash

	December 31, 2019	June 30, 2019
	$	$
Cash	3,467,786	1,536,669
Cash held in trust account	17,503	24,648
	3,485,289	**1,561,317**

(Unaudited - Expressed in Canadian Dollars)

NOTE 5 - Receivables

	December 31, 2019	June 30, 2019
	$	$
GST	97,838	56,564
Other	2,618	3,214
	100,456	**59,778**

NOTE 6 - Exploration and Evaluation Assets

The following is a continuity of the Company's exploration and evaluation expenditures:

	Wyoming Rattlesnake	Ontario Pen & Dore	Total
	$	$	$
Balance at June 30, 2019	**10,865,542**	**16,313,051**	**27,178,593**
Additions:			
Exploration expenses			
Claim maintenance fees	373,986	14,376	388,362
Consulting	21,570	413,992	435,562
Salaries and benefits	316,863	176,219	493,082
Management fees	358,061	-	358,061
Other	139,076	-	139,076
Drilling	2,934,116	312,402	3,246,518
Geochem	166,068	-	166,068
Geophysics	-	183,736	183,736
General field expenses	32,284	136,217	168,501
Travel and accommodation	25,089	-	25,089
Asset retirement obligation	(34,478)	-	(34,478)
	4,332,635	1,236,942	5,569,577
Recovery of Exploration and evaluation assets expenditures	(4,699,543)	-	(4,699,543)
	(366,908)	1,236,942	870,034
Balance at December 31, 2019	**10,498,634**	**17,549,993**	**28,048,627**

(Unaudited - Expressed in Canadian Dollars)

NOTE 6 - Exploration and Evaluation Assets (continued)

	Wyoming Rattlesnake	Ontario Pen & Dore	Total
	$	$	$
Balance at June 30, 2018	**10,970,851**	**12,628,484**	**23,599,335**
Additions:			
Exploration expenses			
Claim maintenance fees	428,954	52,726	481,680
Consulting	240,636	1,417,554	1,658,190
Salaries and benefits	531,186	425,944	957,130
Management fees	173,498	-	173,498
Other	211,158	-	211,158
Drilling	592,645	947,460	1,540,105
Geophysics	-	513,885	513,885
Geochem	65,487	-	65,487
General field expenses	76,104	326,998	403,102
Travel and accommodation	61,175	-	61,175
	2,380,843	3,684,567	6,065,410
Recovery of Exploration and evaluation assets expenditures	(2,486,152)	-	(2,486,152)
	(105,309)	3,684,567	3,579,258
Balance at June 30, 2019	**10,865,542**	**16,313,051**	**27,178,593**

Ontario Pen & Dore Properties

West Porcupine Property
On December 21, 2017, the Company purchased 100% of Probe Metal Inc's ("Probe") interest in the West Porcupine property, a land package consisting of 198 claims located southwest of Timmins, Ontario, in exchange for 6,477,883 common shares valued at approximately $0.50 per share, for total consideration, including transaction costs, of $3,293,426. Several NSRs exist on certain claims within the West Porcupine property and are described below:

West Porcupine
The West Porcupine has 0.5%, 1.0% and 2.0% NSRs on certain mineral claims. The Company has the right to re-purchase these NSRs for $250,000, $1,000,000 and $1,500,000, respectively.

Ivanhoe
There is a 4% NSR over certain mineral claims of the Ivanhoe property. The Company has the right to purchase 3% of the NSR for $3,000,000. Also, the Company is to make a $1,000,000 payment upon the filing of a National Instrument 43-101 compliant technical report which discloses a mineral reserve (proven and probable) totaling a minimum of 1,000,000 ounces of gold.

Ross
There is a 2% NSR over certain mineral claims of the Ross property. The Company has the right to purchase the NSR for $3,000,000.

NOTE 6 - Exploration and Evaluation Assets (continued)

Kenogaming Township

There is a 2% NSR over certain mineral claims of the Kenogaming Property. The Company has the right to purchase the NSR for $3,000,000.

The Company also agrees to pay the Mattagami First Nation and Flying Post First Nation the following:

- 2% of the first $5,000,000 eligible costs of the exploration activities, and
- 1% of the exploration costs for any amount greater than $5,000,000.

Rapier Gold Inc.

On February 28, 2018, the Company completed the plan of arrangement with Rapier pursuant to which GFG acquired all of the outstanding shares of Rapier. Pursuant to the completion of the Acquisition the Company acquired Rapier's Pen Gold Project, southwest of Timmins, Ontario.

Further detail of significant properties is provided below:

Pen Gold East

The Company owns 100% interest in the Pen Gold East property, located adjacent to the northeastern corner of Pen Gold South in Kenogaming Township, Porcupine Mining District. Pursuant to an option agreement entered into on June 1, 2012, total payments of $40,000 were required and paid, which payments are deductible against a potential $200,000 future payment if greater than 200,000 ounces of gold are mined. The Company has the right to purchase one-half of a 2% NSR for $2,000,000.

Pen Gold South

The Company has a 100% interest in the Pen Gold South property, located in the Kenogaming, Penhorwood and Keith Townships in Ontario, which is subject to a 2% NSR. The Company has the right to purchase one-half of a 2% NSR for $3,000,000.

Pen Gold North

The Company has a 100% interest in the Pen Gold North property which is subject to a 2% production royalty. If the Company files a National Instrument 43-101 compliant measured and indicated gold resource on the property, a payment of $5 per resource ounce is payable, up to a maximum of $5,000,000. Further, an additional $5 per resource ounce is due, subject to consumer price index adjustments, if the Company subsequently completes a positive feasibility study and arranges financing to construct a mine on the property.

Porphyry Hill

The Company has a 100% interest in the Porphyry Hill property, located in the Reeves township, which is subject to a 2% NSR. The Company has the right to purchase one-half of the 2% NSR for $1,000,000, subject to certain cost of living adjustments.

Reeves

The Company has a 100% interest in the Reeves property, located in the Reeves Township, Porcupine Mining District, which is subject to a 2% NSR. The Company has the right to purchase one-half of the 2% NSR for $1,000,000.

The Company also assumed the obligation between Rapier, the Flying Post First Nation and Mattagami First Nation. Under the terms of the agreement, the Company pays 2% of all costs of the exploration program annually to the Flying Post and Mattagami First Nations.

Sewell Property

On June 25, 2018, the Company purchased, from a subsidiary of Alamos Gold Inc., 100% of its interest in the Sewell property, a land package consisting of one legacy claim and five patented claims covering approximately 3,000 hectares adjacent to

NOTE 6 - Exploration and Evaluation Assets (continued)

Ontario Pen & Dore Properties (continued)

the Company's Pen Gold Project, in exchange for 390,930 common shares valued at approximately $0.24 per share, for total consideration, including transaction costs, of $93,823.

The Sewell property is subject to a 1% NSR.

Swayze Property ("Dore Gold Project")
On December 21, 2017, the Company purchased, from Osisko Mining Inc. ("Osisko"), 100% of its interest in the Swayze property, a land package consisting of 56 claims, in exchange for 1,110,494 common shares with a fair value of $0.50 per share, for total consideration, including transaction costs, of $590,527.

The Company is subject to a 1% NSR on the Swayze property. The Company has the right to purchase the NSR for $1,000,000.

The Company also agreed to assume the obligation between Osisko and the Flying Post First Nation. Under the terms of the agreement, the Company pays 1% of all costs of the exploration program annually and $10,000 to the Flying Post First Nation upon applying for an exploration permit from the Ministry of Northern Development and Mines of Ontario.

Wyoming Rattlesnake Properties

Rattlesnake Property
In July 2015, the Company entered into an agreement to acquire a 100% interest in certain claims and Wyoming State leases comprising the Rattlesnake Property in Wyoming ("Rattlesnake Acquisition").

Total consideration consisted of:
(1) Cash payments of US$714,000 (paid);
(2) 2,000,000 shares (issued);
(3) Promissory note of US$600,000 (paid); and
(4) 1,500,000 shares provided that the Rattlesnake Property contains an aggregate mineral resource of over 1,000,000 ounces of gold.

The Rattlesnake Property is subject to a 2% NSR. The Company has the right to purchase one-half of the NSR for US$1,000,000.

In October 2015, the Company entered into an agreement to acquire a 100% interest in certain mining claims and leases adjacent to the Rattlesnake Property in Wyoming ("Rattlesnake Claims").

Total consideration consisted of:
(1) Cash payments of US$150,000 (paid);
(2) 1,400,000 shares (issued);
(3) 375,000 shares upon drilling of a discovery hole on the Endurance Claims prior to October 8, 2022; and
(4) 375,000 shares upon delivery of a National Instrument 43-101 compliant resource exceeding 500,000 ounces of gold at the Endurance Claims, prior to October 8, 2022.

The acquisition of the Rattlesnake Claims was subject to an underlying option agreement to acquire a 100% interest in certain lode mining claims and Wyoming state leases. The remaining terms of the option agreement assumed by the Company are as follows:

- Cash payments of US$70,000 (paid);
- 97,000 shares (issued); and
- Exploration expenditures of US$260,000 incurred on or before December 31, 2015 (incurred).

NOTE 6 - Exploration and Evaluation Assets (continued)

Wyoming Rattlesnake Properties (continued)

The Rattlesnake Claims are subject to 2% NSR on production arising from mining claims and 1% NSR on production arising from mining leases. In July 2016, the Company exercised its option to buy-down a certain NSR for US$50,000.

Pursuant to the exercise of its option to buy-down a certain NSR royalty, the Company fulfilled its obligations under the terms of the agreements. The Company has been assigned all rights, title and interest in and to the claims.

The Company had the right to purchase one-half of the NSR for US$1,500,000.

IEV Property
In October 2016, the Company acquired a 100% interest in additional mining claims and leases adjacent to the Rattlesnake Property in Wyoming ("IEV Property") for US$39,423 and 100,000 shares with a fair value of US$25,000. The IEV Property is subject to an NSR of 1% on production arising from mining claims and 0.5% on production arising from mining leases. The Company can purchase one-half of the NSR for US$250,000.

Option and Earn-in Agreement
On September 10, 2018, the Company completed an option and earn-in agreement (the "JV Agreement") with Newcrest Resources Inc., a wholly-owned subsidiary of Newcrest, to advance the RSH Project, which consists of the Wyoming Rattlesnake Properties. Under the terms of the JV Agreement, Newcrest has the right to acquire, in multiple stages, up to 75% of the RSH project by completing a series of exploration and development expenditures ("Exploration Expenditure") and making staged option cash payments totaling US$1,250,000 to the Company. Significant terms of the JV Agreement are as follows:

Option Phase (18 months):

- A US$100,000 cash payment upon signing the JV Agreement (paid);
- Newcrest has a minimum commitment to spend US$2,600,000 on Exploration Expenditures within 18-months from executing the JV Agreement (commitment achieved);
- The Company will operate the RSH Project during the option phase and will receive a 10% management fee; and
- Prior to the expiry of the 18-month period, Newcrest will have the right to exercise its option to enter into the earn-in phase of the JV Agreement.

Earn-in Phase:

The earn-in phase consists of three stages whereby Newcrest can earn up to 75% of the RSH Project over an eight-year period.

Stage 1 (4-years):

If Newcrest elects to exercise the option to earn-in, it will make a cash payment to the Company of US$500,000 and will have the right to earn 49% of the RSH Project over a four-year period by spending an additional US$14,000,000 with a minimum annual Exploration Expenditure of US$1,000,000.

Stage 2 (2-years):

If Newcrest elects to proceed to Stage 2 of the earn-in and makes a cash payment to GFG of US$650,000, Newcrest's interest in the RSH Project will increase to 51% and it will have the right to earn an additional 4% (total 55%) of the RSH Project over an additional two-year period, by funding the delivery of a positive preliminary economic assessment, in compliance with National Instrument 43-101.

(Unaudited - Expressed in Canadian Dollars)

NOTE 6 - Exploration and Evaluation Assets (continued)

Wyoming Rattlesnake Properties (continued)

Stage 3 (2-years):

If Newcrest elects to proceed to Stage 3 of the earn-in, its interest in the RSH Project will increase to 60% and it will have the right to earn in additional 15% (total 75%) of the RSH Project over an additional two-year period by funding the lesser of: (i) additional Exploration Expenditures, after the completion of Stage 2, of US$80,000,000; or (ii) the delivery of a positive bankable feasibility study, in compliance with National Instrument 43-101.

As of December 31, 2019, $6,192,645 (June 30, 2019, $1,851,161) of Exploration Expenditures were incurred pursuant to the JV Agreement. Newcrest has met the 18-month expenditure commitment of the Option Phase and has until March 9, 2020 to notify GFG if they will elect to move forward to the Earn-in Phase.

NOTE 7 - Equipment

	Right-of use asset	Vehicles	Equipment	Total
	$	$	$	$
Cost				
June 30, 2018	-	66,683	23,290	89,973
Additions	-	-	4,700	4,700
June 30, 2019	-	66,683	27,990	94,673
Additions	181,047	-	4,200	185,247
December 31, 2019	181,047	66,683	32,190	279,920
Accumulated depreciation				
June 30, 2018	-	27,971	5,892	33,863
Depreciation	-	11,614	4,419	16,033
June 30, 2019	-	39,585	10,311	49,896
Depreciation	27,157	4,065	1,977	33,199
December 31, 2019	27,157	43,650	12,288	83,095
Net book value				
June 30, 2019	-	27,098	17,679	44,777
December 31, 2019	**153,890**	**23,033**	**19,902**	**196,825**

NOTE 8 - Reclamation Bonds

On its RSH Project, the Company has reclamation bonds in the amount of $520,184 (June 30, 2019 - $532,705).

NOTE 9 - Accounts Payable and Accrued Liabilities

	December 31, 2019	June 30, 2019
	$	$
Accounts payable	543,506	288,115
Accrued liabilities	78,290	79,110
	621,796	**367,225**

(Unaudited - Expressed in Canadian Dollars)

NOTE 10 - Advances from Newcrest

The Company is the operator of the Rattlesnake Hills Gold Project ("RSH Project") with Newcrest Resources Inc., a wholly-owned subsidiary of Newcrest Mining Limited ("Newcrest") (see Note 6). As of December 31, 2019, the Company had $187,137 (June 30, 2018 - 107,291) advanced from Newcrest for future exploration expenditures.

NOTE 11 - Flow-through Share Premium Liability

	December 31, 2019	June 30, 2019
	$	$
Balance, beginning of period	120,081	408,566
Liability incurred on flow-through shares issued	628,176	557,500
Settlement of flow-through share liability		
December 2017 issue	-	(408,566)
December 2018 issue	(120,081)	(437,419)
October 2019 issue	(229,542)	-
Balance, end of period	**398,634**	**120,081**

In October 2019, the Company issued 8,560,813 flow-through shares for gross proceeds of $2,168,954. These flow-through common shares issued in a non-brokered private placement were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be $628,176. The flow-through premium is derecognized through income as the qualifying expenditures are incurred. During the period ended December 31, 2019, the Company satisfied $229,542 of the commitment by incurring qualifying expenditures of $792,369. The Company is committed to incur a further $1,376,585 of qualifying expenditures by December 31, 2020.

In December 2018, the Company issued 7,190,000 flow-through shares for gross proceeds of $1,995,500. These flow-through common shares issued in a non-brokered private placement were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be $557,500. The flow-through premium is derecognized through income as the qualifying expenditures are incurred. At December 31, 2019, the Company had incurred all required expenditures of $1,995,500. As of December 31, 2019, the flow-through share premium liability for the December 2018 issue was $nil.

In December 2017, the Company issued 5,460,555 flow-through shares for gross proceeds of $3,003,305. The Company determined the value of the flow-through share premium was $632,265, based on the subscription price difference between each non-flow-through unit and flow-through share and the one-half of an additional warrant issued with each non-flow-through unit. Each warrant entitles the non-flow-through shareholders to purchase one common share at $0.75 per share any time for two years. The warrants were valued using the Black-Scholes option pricing model using the following assumptions: volatility of 69%, expected life of 2 years, dividend rate of Nil, and a risk-free interest rate of 1.66%. At June 30, 2018, the Company had satisfied $223,699 of the commitment by incurring $1,062,000 qualifying expenditures. At December 31, 2018, the Company had incurred all required qualifying expenditures of $3,003,305. As of June 30, 2019, the flow-through share premium liability for the December 2017 issue was $nil.

NOTE 12 – Lease Liability

A continuity of lease liabilities for the six months ended December 31, 2019 is as follows:

	$
Lease liabilities at July 1, 2019	**181,047**
Lease payments	(35,693)
Interest expense on lease liabilities	12,856
	158,210
Less: Current portion	(47,500)
Long-term lease liabilities at December 31, 2019	**110,710**

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

	$
Less than one year	68,054
Two to three years	127,485
Total undiscounted lease liabilities at December 31, 2019	**195,539**

Total undiscounted lease payments exclude leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

NOTE 13 - Advance

As at December 31, 2019, the Company has a balance of $20,044 (June 30, 2019 - $20,044) payable to Evolving Gold. The advance is unsecured, non-interest bearing and due on demand.

NOTE 14 - Asset Retirement Obligation

As of December 31, 2019, the Company recognized a decommissioning liability of $278,461. The liability consists of reclamation costs for the RSH Project. Reclamation activities include rehabilitation of certain drilling sites and access site roads. Expected payment of future obligations are $334,527 over the next 7 years. An accretion expense component of $3,932 has been charged for the first six months of this fiscal year, offset by technical adjustments made, resulting in a decrease in the overall carrying amount of the asset retirement obligation.

The discount rate of 2.86% used by the Company was based on prevailing risk-free pre-tax rates in the United States (given the majority of reclamation costs will be incurred in US dollars), for periods of time which coincide with the period over the decommissioning costs were discounted. The inflation rate of 2.19% used in the asset retirement obligation calculation was based on US inflation data.

	December 31, 2019	**June 30, 2019**
	$	**$**
Balance, beginning of period	309,007	300,403
Revisions due to technical adjustments	(34,478)	-
Accretion expense	3,932	8,604
Balance, end of period	**278,461**	**309,007**

NOTE 15 - Share Capital

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital

a) As at December 31, 2019, the Company had 109,851,016 common shares outstanding (June 30, 2019 – 95,054,648).

b) Shares issued during the six months ended December 31, 2019:

On October 29, 2019, the Company closed the second tranche of its non-brokered private placement with the issuance of: i) 610,000 units of the Company ("Units") at a price of $0.18 per Unit for gross proceeds of $109,800, with each Unit consisting of one common share of the Company and one-half of one share purchase warrant, with each whole share purchase warrant (a "Warrant") entitling the holder thereof to acquire one additional common share of the Company at an exercise price of $0.27 for a period of 24 months from the date of issuance; ii) 34,000 common shares of the Company that qualify as "flow-through shares" for the purposes of the Income Tax Act (Canada) ("FT Shares") at a price of $0.22 per FT Share for gross proceeds of $7,480;

On October 24, 2019, the Company closed the first tranche of its non-brokered private placement with the issuance of: i) 5,025,555 Units at a price of $0.18 per Unit for gross proceeds of $904,600, with each Unit consisting of one common share of the Company and one-half of one share purchase warrant, with each Warrant entitling the holder thereof to acquire one additional common share of the Company at an exercise price of $0.27 for a period of 24 months from the date of issuance; ii) 3,334,546 common shares of the Company that qualify as "flow-through shares" for the purposes of the Income Tax Act (Canada) at a price of $0.22 per FT Share for gross proceeds of $733,600; and iii) 5,192,267 charity units of the Company ("Charity Units") at a price of $0.275 per Charity Unit for gross proceeds of $1,427,873 with each Charity Unit consisting of one FT Share and one-half of one Warrant.

Total gross proceeds raised for the first and second tranche was $3,183,353.

On October 21, 2019, the Company issued 600,000 common shares pursuant to its RSU Plan.

c) Shares issued during the six months ended December 31, 2018

On December 27, 2018, the Company closed the second tranche of its non-brokered private placement with the issue of 2,240,000 flow-through common shares at a price of $0.25 per share for gross proceeds of $560,000. The Company is required to expend $560,000 in qualifying Canadian Exploration Expenses, as defined in the Income Tax Act (Canada), prior to December 31, 2019.

On December 21, 2018, the Company closed the first tranche of its non-brokered private placement with the issue of 4,950,000 flow-through common shares at a price of $0.29 per share for gross proceeds of $1,435,500. The Company is required to expend $1,435,500 in qualifying Canadian Exploration Expenses, as defined in the Income Tax Act (Canada), prior to December 31, 2019.

Total gross proceeds raised for the first and second tranche was $1,995,500.

Stock options
The Company has established a stock option plan under which common share purchase options may be granted to directors, officers, employees and consultants. The maximum number of shares available for options issuable under the stock option plan

(Unaudited - Expressed in Canadian Dollars)

NOTE 15 - Share Capital (continued)

Stock options (continued)

is 10% of the Company's common shares outstanding. Options granted have an exercise price of the Company's prior day closing price quoted on the Exchange for the common shares of the Company.

A summary of stock options activities are as follows:

	Six Months Ended December 31, 2019		Year Ended June 30, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	4,740,519	0.58	4,095,639	0.79
Granted	178,048	0.22	1,483,130	0.195
Exercised/forfeited	(382,040)	0.66	(838,250)	0.77
Outstanding, end of period	**4,536,527**	**0.56**	**4,740,519**	**0.58**

In August 2019, the Company granted 178,048 stock options to a director exercisable at a price of $0.22 per share for five years. The fair value of $0.13 per stock option was assigned using the Black-Scholes option pricing model with the following assumptions: an expected life of five years; risk-free interest rate of 1.24%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 68.28%. Of the total stock options, 150,000 options vest immediately on the grant date and 28,048 options vest at 40% upon September 30, 2019 with the remainder on December 31, 2019.

In May 2019, the Company granted 50,000 stock options to an employee exercisable at a price of $0.24 per share for five years. The fair value of $0.13 per stock option was assigned using the Black-Scholes option pricing model with the following assumptions: an expected life of five years; risk-free interest rate of 1.51%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 67.97%. These stock options vest equally over three years with the initial vest occurring on the first anniversary date of the grant.

In February 2019, the Company granted 1,433,130 stock options to directors, employees and contractors exercisable at a price of $0.195 per share for five years. The fair value of $0.12 per stock option was assigned using the Black-Scholes option pricing model with the following assumptions: an expected life of five years; risk-free interest rate of 1.80%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 68.22%. Certain of these stock options vest equally over three years with the initial vest occurring on the first anniversary date of the grant. Other options included in this grant vest equally over four quarters with the initial vest occurring on March 31, 2019.

A summary of the stock options outstanding and exercisable at December 31, 2019 is as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
US$0.25	100,000	100,000	August 1, 2020
US$0.25	75,000	75,000	January 4, 2021
US$0.25	125,000	125,000	September 1, 2021
$0.33	425,349	292,016	April 2, 2023
$0.405	625,000	208,333	March 2, 2023
$1.09	1,600,000	1,250,000	March 17, 2022
$0.195	1,358,130	376,875	February 27, 2024
$0.24	50,000	-	May 13, 2024
$0.22	178,048	161,220	August 1, 2024
	4,536,527	2,588,444	

(Unaudited - Expressed in Canadian Dollars)

NOTE 15 - Share Capital (continued)

Stock options (continued)

For three months ended December 31, 2019, the Company recognized $73,888 (December 31, 2018 - $113,323) of stock option related share-based compensation. Of this, $63,455 (December 31, 2018 - $89,841) was recorded as operating expense with the remaining $10,433 (December 31, 2018 – $23,482) capitalized to Exploration and evaluation assets.

For the six months ended December 31, 2019, the Company recognized $166,397 (December 31, 2018 - $223,085) of stock option related share-based compensation. Of this, $145,531 (December 31, 2018 - $173,447) was recorded as operating expense with the remaining $20,866 (December 31, 2018 - $49,638) capitalized to Exploration and evaluation assets.

Restricted share units

On October 21, 2016, the Board granted the Chief Executive Officer 600,000 RSUs. The RSUs were granted as notional units that are economically equivalent to owning common shares of the Company. The RSUs vest over a period of three years as follows: 25% on the grant date and 25% on each anniversary date following the grant date. On October 21, 2019, all RSUs were redeemed and the Company issued 600,000 common shares pursuant to the RSU Plan. At December 31, 2019, there are no outstanding RSUs.

The RSUs were accounted for as equity-settled awards and for the three months ended December 31, 2019, the Company has recorded share-based compensation expense of $3,836 (December 31, 2018 - $23,397), with a corresponding amount recorded to reserves. For the six months ended December 31, 2019, the Company has recorded share-based compensation expense of $21,480 (December 31, 2018 - $67,507), with a corresponding amount recorded to reserves The fair value of the share-based compensation was measured using the value on the grant date.

Share-based compensation

	Three Months Ended		**Six Months Ended**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
	$	**$**	**$**	**$**
Stock options	63,455	89,841	145,531	173,447
RSUs	3,836	23,397	21,480	67,507
Total share-based compensation	**67,291**	**113,238**	**167,011**	**240,954**

Warrants

A summary of warrant activities are as follows:

	Six Months Ended December 31, 2019		**Year Ended June 30, 2019**	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of period	3,970,000	0.75	7,620,625	0.73
Granted	5,413,910	0.27	-	-
Expired	(1,225,000)	0.75	(3,650,625)	0.70
Outstanding, end of period	**8,158,910**	**0.43**	**3,970,000**	**0.75**

(Unaudited - Expressed in Canadian Dollars)

NOTE 15 - Share Capital (continued)

A summary of the warrants outstanding as at December 31, 2019 is as follows:

Warrants Outstanding	Exercise Price	Expiry Date
	$	
2,745,000	0.75	January 11, 2020
5,108,910	0.27	October 24, 2021
305,000	0.27	October 29, 2021
8,158,910		

As at December 31, 2019, the weighted average remaining contractual life of the warrants was 1.22 years with an average exercise price of $0.43.

Reserve
Reserves are increased when recognizing the compensation costs related to share based compensation and decreased where stock options or RSUs are exercised:

	December 31, 2019	June 30, 2019
	$	$
Reserve, beginning of period	2,659,915	2,163,601
Share-based compensation	187,877	496,314
RSU redemption	(840,000)	-
Reserve, end of period	**2,007,792**	**2,659,915**

NOTE 16 - Related Party Transactions

Summary of key management personnel compensation:
Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company’s Board of Directors and corporate officers.

	Three Months Ended		Six Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	$	$	$	$
Salaries and benefits capitalized to exploration and evaluation assets	31,243	41,852	59,581	113,899
Salaries and benefits(1)	127,909	111,244	277,214	235,544
Director fees	18,160	18,145	36,321	36,290
Share-based compensation	63,446	106,405	159,321	233,523
Share-based compensation capitalized to exploration and evaluation assets	9,442	16,613	18,883	33,226
	250,200	294,259	551,320	652,482

(1) Includes salaries and benefits reported within Investor relations.

Compensation of the Company’s key management personnel includes salaries, non-cash benefits and board retainers.

NOTE 16 - Related Party Transactions (continued)

Executive officers and members of the board of directors may also participate in the stock option and RSU programs.

As at December 31, 2019 and 2018 no amounts were owing to the officers or directors of the Company.

NOTE 17 - Capital Disclosure and Management

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholders' equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placement, incur debt or return capital to shareholders.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its excess cash in highly liquid short-term interest-bearing investments with short-term maturities matching timing of expenditures.

The Company's capital management approach has remained unchanged during the six months ended December 31, 2019. The Company is not subject to externally-imposed capital requirements.

NOTE 18 - Financial Instruments and Risk Management

The Company has exposure to the following risks from its use of financial instruments.

a. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's exposure to credit risk is on its cash held with Bank of Montreal and the Royal Bank of Canada. The carrying amounts represents the maximum credit exposure.

b. Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company has working capital of $2,381,232 at December 31, 2019, which is sufficient to fund certain 2019 Pen and Dore exploration programs as well as administrative costs. During the quarter, the Company completed a non-brokered private placement for gross proceeds of $3.2 million. Proceeds were used to fund end of 2019 exploration expenditures as well as certain 2020 exploration expenditures and administrative costs.

c. 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 Company has determined there is no material exposure related to interest rate risk.

d. Foreign Exchange Risk

Foreign exchange risk is the risk that fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

(Unaudited - Expressed in Canadian Dollars)

NOTE 18 - Financial Instruments and Risk Management (continued)

- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying value of cash, receivables, deposits, accounts payable and advances are approximate to their fair values due to their short-term nature.

NOTE 19 - Commitments

As of December 31, 2019, the Company has three separate commercial leases with the following expected, undiscounted payments:

	$
2020	97,651
2021	74,258
2022	69,866
2023	23,591
Total	265,366