



Unaudited Interim Condensed Financial Statements

For the three and six months ended June 30, 2020 and 2019



MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying interim condensed financial statements of Central Timmins Exploration Corp. (the "Company") are the responsibility of management and the Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim condensed financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited interim condensed financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with IFRSs appropriate in the circumstances.

The Board of Directors is responsible for reviewing and approving the unaudited interim condensed financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Joseph Ovsenek"
President and Director

"Christopher Hopkins"
Chief Financial Officer

NOTICE TO READER

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

The accompanying unaudited interim condensed financial statements of the Corporation have been prepared by and are the responsibility of the Company's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of unaudited interim condensed financial statements by an entity's auditor.

Statements of Financial Position

(Expressed in Canadian Dollars)

<i>As at,</i>	<i>June 30, 2020</i>	<i>December 31, 2019</i>
	(Unaudited)	(Audited)
	\$	\$
Assets		
Current Assets		
Cash (Note 6)	605,285	570,337
Receivables and other assets (Note 7)	34,725	49,908
	640,010	620,245
Non-Current Assets		
Right-of-use asset (Note 8)	3,261	44,190
Total Assets	643,271	664,435
Liabilities		
Current Liabilities		
Trade and other payables (Notes 9 and 12)	52,174	103,594
Current portion of lease liability (Note 10)	3,498	40,532
	55,672	144,126
Non-Current Liabilities		
Lease liabilities (Note 10)	-	5,551
Total Liabilities	55,672	149,677
Shareholders' Equity		
Capital stock (Note 13)	3,292,644	2,792,644
Warrant reserve (Note 14)	132,268	131,807
Share-based payment reserve (Note 13)	351,987	274,856
Deficit	(3,189,300)	(2,684,549)
	587,599	514,758
Total Liabilities and Shareholders' Equity	643,271	664,435

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 15)

Subsequent Events (Note 16)

Approved by the Board of Directors

"Julian Kemp"
Director

"Joseph Ovsenek"
Director

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

Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	<i>Three months ending June 30</i>		<i>Six months ending June 30</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	\$	\$	\$	\$
Administrative Expenses				
Interest Income	(326)	(5,359)	(1,235)	(6,640)
Professional fees	68,165	82,418	121,351	133,583
General and administrative	27,653	13,337	43,781	27,998
Depreciation (Note 8)	11,040	9,784	24,594	19,568
Share-based payments (Note 13)	77,131	34,590	77,131	69,180
Interest expense (Note 10)	424	1,271	1,485	2,743
Shareholder information	12,092	14,478	27,189	29,762
Investor relations and travel	17,970	60,555	18,243	88,450
Total Administrative Expenses	(214,149)	(211,074)	(312,539)	(364,644)
Exploration and evaluation expenditures (Note 13)	(120,662)	(267,257)	(186,834)	(751,584)
Loss on sale of an asset	(5,378)	-	(5,378)	-
Flow-through share premium recovery	-	93,000	-	269,000
Net loss and comprehensive loss for the period	(340,189)	(385,331)	(504,751)	(847,228)
Loss per share - basic and diluted	\$ (0.020)	\$ (0.045)	\$ (0.040)	\$ (0.099)
Weighted average number of shares outstanding – basic and diluted*	17,002,775	8,558,331	12,757,226	8,558,331

*On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 13 (b)). All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

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



Statements of Changes in Equity
For the Three and Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)

	Capital Stock		Reserves			
	Number of shares*	Amount	Share-based payments	Warrants	Deficit	Total
Balance at December 31, 2018	8,558,331	\$2,792,644	\$ 112,776	\$ 126,962	\$(1,379,918)	\$ 1,652,464
Reserve on issuance of stock options (Note 13)	-	-	69,180	-	-	69,180
Net loss and comprehensive loss for the period	-	-	-	-	(847,228)	(847,228)
Balance at June 30, 2019	8,558,331	\$2,792,644	\$ 181,956	\$ 126,962	\$(2,227,146)	\$ 874,416
Reserve on issuance of stock options (Note 13)	-	-	92,900	-	-	92,900
Reserve on issuance of warrants (Note 3 and 14)	-	-	-	4,845	-	4,845
Net loss and comprehensive loss for the period	-	-	-	-	(457,403)	(457,403)
Balance at December 31, 2019	8,558,331	\$2,792,644	\$ 274,856	\$ 131,807	\$(2,684,549)	\$ 514,758
Private placement (Note 13)	10,000,000	500,000				500,000
Reserve on issuance of warrants (Note 3 and 14)	-	-	-	461	-	461
Reserve on issuance of stock options (Note 13)	-	-	77,131	-	-	77,131
Net loss and comprehensive loss for the period	-	-	-	-	(504,751)	(504,751)
Balance at June 30, 2020	18,558,331	\$3,292,644	\$ 351,987	\$ 132,268	\$(3,189,300)	\$ 587,599

*On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 13 (b)). All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

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

Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

<i>Six months ending June 30</i>	<i>2020</i>	<i>2019</i>
Operating activities	\$	\$
Net loss for the period	(504,751)	(847,228)
Items not involving cash:		
Share-based payments (Note 13)	77,131	69,180
Depreciation (Note 8)	24,594	19,568
Interest Expense (note 10)	1,485	2,743
Loss on sale of equipment	5,378	-
Warrants issued for MOU agreement	461	-
Flow-through share premium recovery	-	(269,000)
Change in non-cash working capital:		
Receivables and other assets	15,183	35,620
Trade and other payables	(51,420)	(24,547)
	(431,939)	(1,013,664)
Financing activities		
Proceeds from private placement, net of share issuance costs	500,000	-
Purchase of equipment	(30,157)	
Proceed from sale of equipment	24,779	
Lease payments (Note 10)	(27,735)	(21,239)
	466,887	(21,239)
Increase (Decrease) in cash	34,948	(1,034,903)
Cash at beginning of period	570,337	2,068,312
Cash at end of period	605,285	1,033,409

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

Three and six months ended June 30, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

Central Timmins Exploration Corp. (the "Company" or "CTEC") was incorporated on November 10, 2017 under the laws of the Canada Business Corporations Act. The Company's common shares commenced trading October 16, 2018 on the TSX Venture Exchange (the "Exchange") under the symbol "CTEC".

The Company's head office is located at 1021 West Hastings Street, Suite 924, Vancouver, BC, Canada, V6E 0C3. The Company is a junior mining, exploration and development company engaged in the acquisition, exploration and development of mineral resource properties in the Pacific Northwest, Canada. Substantially all of the Company's efforts are devoted to financing and acquiring these properties. There has been no determination whether the Company's interests in mineral properties will contain mineral reserves which are economically recoverable.

As at June 30, 2020, the Company had working capital of \$584,338 (December 31, 2019 - \$476,119), had not yet achieved profitable operations, had accumulated losses of \$3,189,300 (December 31, 2019 - \$2,684,549) and expects to incur future losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that future exploration programs will result in profitable mining operations. The Company's continued existence will be dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The Company will require substantial additional funds to explore and, if warranted, develop its acquired exploration properties. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of future exploration and property development. The terms of any additional financing obtained by the Company could result in significant dilution to the shareholders of the Company.

Management plans to secure the necessary financing through the issuance of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

During the period, there was a global outbreak of COVID-19 ("Coronavirus"), which has had a significant impact on businesses through the restrictions put in place by Canadian government regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause supply chain disruptions, and staff shortages, all of which may negatively impact the Company's business and financial condition.

2. BASIS OF PREPARATION

On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 13 (b)). Prior to the consolidation, the Corporation had 51,350,000 Common Shares issued and outstanding. Upon completion of the Share Consolidation, the number of post-consolidation Common Shares issued and outstanding was 8,558,331 (on a non-diluted basis). All references to the number of shares, options and warrants and per share amounts have been retroactively restated to reflect the consolidation.

2.1 Statement of compliance

These unaudited interim condensed financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed financial statements were authorized for issuance by the Board of Directors of the Company on August 11, 2020.

2.2 Basis of presentation and functional and presentation currency

These unaudited interim condensed financial statements have been prepared under the historical cost basis, except for certain assets which are measured at fair value as explained in the accounting policies set out in Note 3 of the Company's annual audited financial statements for the year ended December 31, 2019. In addition, these unaudited interim condensed financial statements have been prepared using the accrual basis of accounting except for cash flow information. Management advises readers of these unaudited interim condensed financial statements to review the audited financial statements and accompanying notes for the year ended December 31, 2019 in conjunction with the review of these statements.

The financial statements are presented in Canadian Dollars, which is also the functional currency of the Company.

2.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates and judgments relate to, but are not limited to, the following:

- determination of the flow-through share premium requires the use of estimates when calculating the premium associated with the issuance of flow-through shares compared with common shares;
- the calculation of the fair value of share-based payments requires the use of estimates of inputs in the Black-Scholes option pricing valuation model;
- accounting policy for exploration and evaluation expenditures as an expense;
- ownership and control of property requires the use of judgment;
- incremental borrowing rate to obtain an asset of similar value to the right-of-use asset;
- provisions for income taxes expected to be paid based on a qualitative assessment of relevant factors; and
- assessment of the going concern assumption as detailed in Note 1 to the financial statements.

2.4 Adoption of new and revised standards and interpretations

- IFRS 16 – Leases – In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at January 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition. The associated right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16.

Adoption of the new standard at January 1, 2019 resulted in the recording of additional right-of-use assets and lease liabilities of \$61,964, related to an office space.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

Three and six months ended June 30, 2020 and 2019

3. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures of the Company are detailed as follows:

	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>		<i>Cumulative to date</i>
	2020	2019	2020	2019	
	\$	\$	\$	\$	\$
Silver Reef Property	93,763	-	93,763	-	93,763
Timmins Project	26,899	267,257	93,071	751,584	2,177,590
Exploration and evaluation costs	120,662	267,257	186,834	751,584	2,271,353

	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>	
	2020	2019	2020	2019
Acquisition costs	\$ 83,774	\$ 12,573	\$ 83,774	\$ 26,923
Assays	-	14,552	-	21,768
Drilling	-	108,177	-	362,417
Geophysical and MMI Surveys	5,970	18,653	5,970	115,337
Assessment reports	14,355	-	14,355	-
Technical Report (NI 43-101)	5,950	-	5,950	-
Consulting	2,300	62,225	52,300	125,425
Other exploration and evaluation	8,313	51,077	24,485	99,714
	\$ 120,662	\$ 267,257	\$ 186,834	\$ 751,584

Silver Reef Property

On June 11, 2020 the Company signed an option agreement with an arm's length private vendor to acquire up to a 100% interest in the Silver Reef Property located in northwest British Columbia, subject to regulatory approval.

Under the terms of the Option Agreement, the Company can acquire up to a 70% interest in Silver Reef over a three-year option period by paying to the vendor:

1. \$50,000 (paid) and 200,000 shares in its capital on the signing of the agreement (to be issued upon regulatory approval);
2. \$200,000 and 200,000 shares in its capital on the first anniversary of the agreement; and
3. \$500,000 and 800,000 shares in its capital on the second anniversary of the agreement.

The Company is also required to incur exploration expenditures of \$250,000 before the first anniversary of the agreement, \$750,000 of cumulative exploration expenditures by the second anniversary of the agreement and \$2 million of cumulative exploration expenditures by the third anniversary of the agreement. Following exercise of the option, the Company has the right for a period of 120 days to acquire the remaining 30% interest in Silver Reef, for a 100% total interest, on payment of \$7.5 million of which up to \$4 million may be paid in shares of the Company at its election. If the Company elects to not purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the

Three and six months ended June 30, 2020 and 2019

3. EXPLORATION AND EVALUATION EXPENDITURES (continued)

operator. During the first three years of the joint venture, the Company will fund the vendor's participating interest in the joint venture. If the vendor fails to sell its interest in the joint venture during such three-year period, the vendor's interest will convert to a 3% net smelter returns royalty, provided that the Company will have the opportunity to purchase the vendor's interest prior to such conversion for \$7.5 million.

Timmins Project

As at June 30, 2020, CTEC had a total of 653.5 (December 31, 2019 – 653.5) claim units in the Porcupine Mining District ("The Timmins Area Project"), of which 77 (December 31, 2019 – 77) are patented claims included in the Dayton Agreement, the Racetrack Agreement and the Goldstone Agreement, and 576.5 (December 31, 2019 – 576.5) are unpatented claim units.

As at June 30, 2020 and December 31, 2019, the Company held the following unpatented claim units:

As at,	June 30, 2020 # of Claims Units	December 31, 2019 # of Claims Units
Deloro Township	39.5	39.5
Ogden Township	58	58
Mountjoy Township	167	167
Godfrey Township	41.5	41.5
Jamieson Township	9	9
Jessop Township	6	6
Price Township	3.5	3.5
Robb Township	50	50
Turnbull Township	69	69
Bonar Township	109	109
Cote Township	6	6
Massey Township	1	1
Bristol Township	2	2
Whitesides Township	15	15
	576.5	576.5

On March 20, 2018, the Company entered into a memorandum of understanding (the "MOU") with the Matachewan First Nation and Mattagami First Nation (collectively, the "First Nations") pursuant to which the Company and the First Nations signaled their intent to engage in negotiations toward an impact benefit agreement (an "IBA") regarding the Timmins Project. Pursuant to the terms of the MOU, the Company has agreed to pay to the First Nations an amount equal to 2% of all costs of the Phase I exploration on the Timmins Project up to the date of the agreement and annually thereafter. The total amount incurred for the year for these costs was \$nil (December 31, 2019 - \$17,781). In addition, an aggregate of 16,666 Common Shares and 16,666 common share purchase warrants ("Warrants") to be issued the date the Company's Common Shares are listed on the TSX Venture Exchange. The Warrants shall be exercisable into Common Shares at a price of \$0.60 per Common Share for a period of five (5) years following the Closing Date, subject to vesting terms by which 25% vest on the date of issuance and the remaining vest equally over a period of eighteen months from the date of issuance. On October 16, 2018 both the 16,666 Common Shares and the 16,666 common share purchase warrants were issued.

3. EXPLORATION AND EVALUATION EXPENDITURES (continued)

The fair value of these respective warrants has been determined using the Black-Scholes valuation model based on a share price of \$0.60, exercise price of \$0.60, life expectancy of 5 years, volatility of 172.06%, risk free interest rate of 2.40% and a dividend yield of \$nil. The total fair value of these warrants was \$9,489 for which \$461 (December 31, 2019 - \$4,845) was included in exploration and evaluation expenditures as at June 30, 2020 period end.

On April 24, 2018, the Company entered into a Mining Claim Acquisition Agreement with Goldstone Resources Inc. ("Goldstone"), to acquire 100 per cent interest in 24 mining claims and 90 per cent interest in 2 additional claims all located in Deloro Township, Ontario ("Faymar Property"). Upon closing, the total consideration payable to Goldstone was \$20,000 which was paid by the issuance of 33,333 common shares of CTEC at a value of \$0.60 per share on October 16, 2018. Various claims are subject to a net smelter returns royalty of 0.2%.

On December 19, 2018 the Company entered into a definitive agreement with Goldcorp Canada Limited and Goldcorp Inc. (the "Porcupine Joint Venture") for the sale of certain of the Company's non-core mineral claims (the "Claims") to the Porcupine Joint Venture for aggregate proceeds of \$258,624. The Claims consist of nine patented mineral claims in Deloro Township, Timmins, Ontario with a total area of approximately 327 acres. The sale transaction was completed on November 4, 2019. The company recorded a \$258,845 gain from the sale of the property in the statements of loss and comprehensive loss during the year ending December 31, 2019.

On April 30, 2019, the Company entered into a Mining Option Agreement to acquire a 100% interest in 3 patented claims in Mountjoy Township, south of Timmins. 100% ownership of both the patented surface rights and patented mining rights, subject to an aggregate total 2% Net Smelter Royalty ("NSR"); on the following terms and conditions:

1. Payment of \$50,000.00 as follows:
 - (i) \$6,000.00 on execution of this agreement; (paid)
 - (ii) \$2,000.00 on the first anniversary of the date of this agreement;
 - (iii) \$2,000.00 on the second anniversary of the date of this agreement;
 - (iv) \$2,000.00 on the third anniversary of the date of this agreement; and
 - (v) \$38,000.00 on the fourth anniversary of the date of this agreement.
2. Expenditures a total of \$40,000.00 on exploration work on the Mineral Patents as follows:
 - (i) the sum of \$10,000.00 in the first twelve month period after the execution of this agreement; (completed)
 - (ii) the sum of \$10,000.00 in the twelve month period after the first anniversary of the execution of this agreement; (completed)
 - (iii) the sum of \$10,000.00 in the twelve month period after the second anniversary of the execution of this agreement; and (completed)
 - (iv) the sum of \$10,000.00 in the twelve month period after the third anniversary of the execution of this agreement; (completed)

The Company has the right at any time to purchase 1% the NSR for a total cash payment of \$250,000

On May 19, 2020, the Company elected not to proceed with evaluation of the 3 patented claims in Mountjoy Township and will have no further rights or obligations relating to the claims or future amounts owing under the Mining Option Agreement

Three and six months ended June 30, 2020 and 2019

4. CAPITAL MANAGEMENT

The Company includes shareholders' equity (deficit) in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Recent market conditions have and are expected to continue to have an adverse impact on the ability of junior mining exploration companies to secure equity funding. The Company has historically relied on equity financing to raise capital and will continue its attempts to do so. Although CTEC was successful in securing debt and equity financing in the periods reported, there is no guarantee that future fund-raising attempts will be equally successful.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

5. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK

The Company classifies financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash is classified as level 1.

The Company's financial instruments are exposed to financial and other risks as summarized below:

Fair value

As at June 30, 2020, the carrying value approximates the fair value amounts of the Company's cash and trade and other payables.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

5. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK (continued)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

The Company's credit risk is primarily attributable to cash. The Company has no material concentration of credit risk arising from operations. Cash consists of bank deposits, which are held by a Canadian chartered bank, and management believes the risk of loss is remote. The Company has not experienced any significant collection issues to June 30, 2020.

The Company's maximum exposure to credit risk as at June 30, 2020 and 2019 is the carrying value of cash.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and ensuring an adequate supply of funds to enable the Company to carry out its intended programs. As at June 30, 2020, the Company had a cash balance of \$605,285 (December 31, 2019 - \$570,337) to settle current liabilities of \$55,672 (December 31, 2019 - \$144,126) subject to normal trade terms.

As at June 30, 2020, the Company had working capital of \$584,338 (December 31, 2019 - \$476,119). In order to meet its longer-term working capital needs and property exploration expenditures, the Company intends on securing additional financing to ensure that those obligations are properly discharged. As such, management believes that the Company will then have sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. There can be no assurance that CTEC will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised through the issuance of shares from the treasury of the Company, control of CTEC may change and shareholders may experience additional dilution. If adequate financing is not available or cannot be obtained on a timely basis, the Company may be required to delay, reduce the scope of, or eliminate one or more of its exploration activities or relinquish some or all of its rights to certain of its interests in mineral properties.

6. CASH

The cash balance at June 30, 2020 consists of \$605,285 (December 31, 2019 - \$570,337) on deposit with a major Canadian bank.

7. RECEIVABLES AND OTHER ASSETS

The Company's receivables and other assets arise from two main sources: 1) prepaid expenses and 2) harmonized sales tax ("HST") receivable from government taxation authorities. These are broken down as follows:

As at	June 30, 2020	December 31, 2019
Prepaid expenses	\$ 9,852	\$ 15,083
Prepaid exploration expenses	6,866	
HST receivable	18,007	34,825
Total receivables and other assets	\$ 34,725	\$ 49,908

Three and six months ended June 30, 2020 and 2019

8. RIGHT-OF-USE ASSET

Balance December 31, 2018	\$ -
IFRS 16 – right-of-use asset recognition at January 1, 2019	61,964
Depreciation	(19,568)
Balance, June 30, 2019	42,396
Additions	30,157
Depreciation	(28,363)
Balance, December 31, 2019	\$ 44,190
Disposals	(16,335)
Depreciation	(24,594)
Balance, June 30, 2020	\$ 3,261

Right-of-use assets consist of the lease for the Company's office and a vehicle lease. They are amortized over a period of 19 months and 24 months respectively. During the period ending June 30, 2020, the Company disposed of its leased truck and paid the balance remaining on the related lease obligation.

Maturity Analysis – Contractual Undiscounted Cash Flows

	June 30, 2020	December 31, 2019
As at		
Less than one year	\$ 3,540	\$ 41,478
Greater than one year	-	6,958
Total undiscounted lease obligation	\$ 3,540	\$ 48,436

9. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration acquisition activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	June 30, 2020	December 31, 2019
As at		
Less than 1 month	\$ 48,536	\$ 80,709
Over 3 months	3,638	22,885
Total trade and other payables	\$ 52,174	\$ 103,594

10. LEASE LIABILITY

On April 1, 2018, the Company entered into a 28-month sublease lease agreement to lease an office. The lease payments are \$3,540 per month from the commencement date of the lease.

On May 31, 2019, the Company entered into a 24-month lease agreement to lease a vehicle. The lease payments are \$1,391 per month from the commencement date of the lease. During the period ending June 30, 2020, the Company disposed of its leased truck and paid the balance remaining on the related lease obligation.

Three and six months ended June 30, 2020 and 2019

10. LEASE LIABILITY (continued)

The Company has recorded these leases as right-of-use assets (note 9) and lease liability in the statements of financial position as at June 30, 2020. At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate. Effective interest rate is 10.25%. The continuity of the lease liability is presented in the table below:

	Office and Vehicle Lease
Balance, December 31, 2018	\$ -
IFRS 16 – right-of-use asset recognition at January 1, 2019	61,964
Additions	30,157
Interest expense	6,181
Lease payments	(52,219)
Balance, December 31, 2019	\$ 46,083
Interest expense	1,485
Disposals	(16,335)
Lease payments	(27,735)
Balance, June 30, 2020	\$ 3,498

	Under 1 year	Between 1-2 years	Between 3-4 years	Over 5 years	Total
Office and Vehicle Lease	\$ 3,498	\$ -	\$ -	\$ -	\$ 3,498

The Company applied IFRS 16 on a modified retrospective basis. As at January 1, 2019, the Company recognized a right of use asset and lease liability for an office lease on adoption of IFRS 16.

11. KEY MANAGEMENT COMPENSATION

The remuneration of directors and other members of key management personnel during the three months ended June 30, 2020 and 2019 were as follows:

	<i>For three months ended June 30,</i>		<i>For six months ended June 30,</i>	
	2020	2019	2020	2019
Management and consulting fees	\$ 36,000	\$ 33,000	\$ 72,000	\$ 63,000
Exploration and evaluation expenditures	18,000	18,000	-	18,000
Share-based compensation	77,131	27,480	77,131	54,960

In accordance with IAS 24, Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Three and six months ended June 30, 2020 and 2019

12. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

As at June 30, 2020, the trade and other payables balance includes related party amounts of \$32,593 (December 31, 2019 - \$8,204). The related parties are directors and officers of the Company, an individual who is related to the former President and CEO of the Company and entities over which executive management and directors have control or significant influence. The amounts are for services rendered during the year and arose as a result of transactions entered into with the related parties in the ordinary course of business.

On April 1, 2018, the Company entered into an agreement with a consultant related to the former President and Chief Executive Officer to perform services for a term of 2 years for \$6,000 per month. The term of the agreement ended on June 30, 2020 and was not renewed.

On May 24, 2018, the Company entered into an agreement with the former President and Chief Executive Officer to perform services that will commence on the date of the public offering for a term of 3 years for \$10,000 per month. On April 16, 2020 Charles Gryba resigned as a director and President and Chief Executive Officer of CTEC, however, he will continue his relationship with CTEC as a technical consultant.

13. CAPITAL STOCK

(a) Authorized

As at June 30, 2020, the Company's authorized number of common shares was unlimited and without par value.

b) Share consolidation

On January 9, 2020, the Company consolidated the share capital on the basis of one new share for every six old shares. All references to the number of shares, options, and warrants and per share amounts have been retroactively restated to reflect the consolidation. Any fractional Common Share resulting from the Share Consolidation will be rounded down to the nearest whole number and any such fractional interest will be cancelled without consideration.

Prior to the consolidation, the Corporation had 51,350,000 Common Shares issued and outstanding. Upon completion of the Share Consolidation, the number of post-consolidation Common Shares issued and outstanding was 8,558,331 (on a non-diluted basis).

The Share Consolidation was approved by the TSX Venture Exchange on January 14, 2020, and the common shares started trading on the TSX Venture Exchange on a consolidated basis on the TSX Venture Exchange at the opening of trading on January 14, 2020, under the current symbol "CTEC".

(c) Issued

	Number of Shares	Amount
Balance at December 31, 2019	8,558,331	\$ 2,792,644
Private placement	10,000,000	500,000
Balance at June 30, 2020	18,558,331	\$ 3,292,644

*On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 13 (b)). All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

On April 16, 2020 the Company closed of a non-brokered private placement for aggregate gross proceeds of \$500,000 (the "Offering"). The Offering consisted of the sale of 10,000,000 common shares of the Company (the "Shares") at a price of \$0.05 per Share for aggregate gross proceeds of \$500,000. All securities issued pursuant to the Offering are subject to a four month and one day hold period under applicable securities laws, expiring on August 16, 2020.

13. CAPITAL STOCK (continued)

(d) Stock Options – Stock Option Plan

The Company maintains a stock option plan (the “Stock Option Plan”) which was ratified and approved by the shareholders of the Company on May 9, 2019. The Stock Option Plan is a “rolling” plan under which up to 10% of the issued and outstanding Common Shares of the Company from time to time, subject to adjustment in certain circumstances, may be issued.

In the event that no specific determination is made by the Board with respect to any of the following matters, the period during which an option shall be exercisable shall be five years from the date of grant except those options issued to persons of consultants employed in Investor Relation activities shall vest in stages over 12 months with no more than one quarter of the options vesting in any three month period. Options granted during the period ending June 30, 2020 are exercisable two years from the date of grant.

The purpose of the Stock Option Plan is to develop the interest of bona fide officers, directors, employees, management company employees, and consultants of the Company in the growth and development of the Company by providing them with the opportunity through stock options to acquire an increased proprietary interest in the Company.

All outstanding options have been expensed as share-based payments in the period in which they vested. At June 30, 2020, 1,459,999 (December 31, 2019 – 799,999) options were outstanding and have a weighted average exercise price of \$0.527 (December 31, 2019 – \$0.527) per option.

A summary of stock options issued and outstanding is as follows:

As at	June 30, 2020		December 31, 2019	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of period/year	\$ 0.527	799,999	\$ 0.60	566,666
Transactions during the period/year:				
Expired	(0.57)	(125,000)	0.30	208,333
Granted	0.34	585,000		
Granted	0.30	200,000	0.60	25,000
Outstanding at end of period/year	0.376	1,459,999	0.527	799,999
Exercisable at end of period/year	\$ 0.376	875,467	\$ 0.527	341,667

The following common share purchase options are outstanding as at June 30, 2020:

Date of Grant	Number of Options Outstanding	Exercise Price (\$)	Weighted Average remaining life (years)	Expiry Date
October 16, 2018	491,666	0.60	3.30	October 16, 2023
July 2, 2019	183,333	0.30	2.93	July 2, 2024
May 14, 2020	585,000	0.34	1.87	May 14, 2022
June 9, 2020	200,000	0.30	1.87	June 9, 2022
	1,459,999	0.376	2.63	

13. CAPITAL STOCK (continued)

(d) Stock Options – Stock Option Plan (continued)

On April 5, 2019, the Company issued 25,000 stock options to a consultant and service provider of the Company at an exercise price of \$0.60 expiring April 5, 2024.

The Options granted are to vest as follows: (i) 25% vesting on the date of issuance; (ii) 25% vesting one (1) year following the date of issuance; (iii) 25% vesting two (2) years following the date of issuance; and (iv) 25% vesting three (3) years following the date of issuance.

On July 2, 2019, the Company issued 208,333 stock options to certain directors, officers, consultants and service providers of the Company at an exercise price of \$0.30 expiring July 2, 2024.

The Options granted are to vest as follows: (i) 25% vesting on the date of issuance; (ii) 25% vesting one (1) year following the date of issuance; (iii) 25% vesting two (2) years following the date of issuance; and (iv) 25% vesting three (3) years following the date of issuance.

On May 14, 2020, the Company issued 585,000 stock options to certain directors, officers, consultants and service providers of the Company at an exercise price of \$0.34 expiring May 14, 2022.

The Options granted are to vest as follows: (i) 34% vesting on the date of issuance; (ii) 33% vesting six (6) months following the date of issuance; and (iii) 33% vesting one (1) years following the date of issuance.

On June 9, 2020, the Company issued 200,000 stock options to certain consultants and service providers of the Company at an exercise price of \$0.30 expiring June 9, 2022.

The Options granted are to vest as follows: (i) 34% vesting on the date of issuance; (ii) 33% vesting six (6) months following the date of issuance; and (iii) 33% vesting one (1) years following the date of issuance.

On June 30, 2020 a total of 125,000 stock options expired at an weighted average price of \$0.57.

The following table summarizes the assumptions used with the Black-Scholes valuation model for stock options issued and outstanding as at June 30, 2020:

Grant date	October 16, 2018	October 17, 2018	April 5, 2019	July 2, 2019	May 14, 2020	June 9, 2020
No. of options	533,333	33,333	25,000	208,333	585,000	200,000
Exercise price	\$ 0.60	\$ 0.72	\$ 0.60	\$ 0.30	\$ 0.34	\$ 0.30
Expected life in years	5	5	5	5	2	2
Volatility	172.40%	172.40%	187.33%	177.37%	237.25%	234.75%
Risk-free interest rate	2.40%	2.41%	1.61%	1.42%	0.32%	0.39%
Dividend yield	-	-	-	-	-	-
Forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Grant date share price	\$0.60	\$0.72	\$0.48	\$0.24	\$0.34	\$0.21
Fair value of options granted	\$ 303,777	\$ 22,784	\$ 11,534	\$ 47,449	\$ 180,379	\$ 31,172

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of the Company. In the prior year, volatility was based on comparable companies. Changes in the underlying assumptions can materially affect the fair value estimates. As at June 30, 2020 period end, share-based payments expense for the period totaled \$77,131 (December 31, 2019 – \$162,080)

Three and six months ended June 30, 2020 and 2019

14. WARRANT RESERVE

A summary of the changes in the Company's reserve for warrants is set out below:

As at	June 30, 2020		December 31, 2019	
		Number of Warrants		Number of Warrants
Outstanding at beginning of period/year	\$ 131,807	301,249	\$ 126,962	301,249
Transactions during the period/year				
Fair value of warrants issued	461	-	4,845	-
Fair value of broker's warrants issued	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period/year	\$ 132,268	301,249	\$ 131,807	301,249

The weighted average exercise price per warrant of the outstanding warrants as at June 30, 2020 was \$0.60 (December 31, 2019 - \$0.60).

The following table summarizes the assumptions used with the Black-Scholes valuation model for warrants issued and outstanding as at June 30, 2020:

Grant date	October 16, 2018	October 16, 2018	November 16, 2018	Total
No. of warrants	258,333	16,666	26,250	301,249
Exercise price	\$ 0.60	\$ 0.60	\$ 0.60	
Expected life in years	2	5	2	
Volatility	148.99%	172.06%	149.67%	
Risk-free interest rate	2.30%	2.40%	2.22%	
Grant date share price	0.60	0.60	0.63	
Dividend yield	-	-	-	
Fair value of warrants	\$ 110,810	\$ 9,489	\$ 11,969	\$ 132,268

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on comparable companies. Changes in the underlying assumptions can materially affect the fair value estimates.

Broker warrants issued to non-employees were valued using the fair value of the equity instrument granted in the absence of a reliable estimate of the fair value of the goods or services received.

On October 16, 2018, the Company issued 16,666 warrants of the Company at an exercise price of \$0.60 expiring 5 years from the date the Company's Common Shares are listed on the TSX Venture Exchange pursuant to MOU agreement with the Matachewan First Nation and Mattagami First Nation dated March 20, 2018.

These warrants are to vest as follows: (i) 25% vesting on the date the Company's Common Shares are listed on the TSX Venture Exchange; (ii) 25% vesting six (6) months following the date the Company's Common Shares are listed on the TSX Venture Exchange; (iii) 25% vesting twelve (12) months following the date the Company's Common Shares are listed on the TSX Venture Exchange; and (iv) 25% vesting eighteen (18) months following the date the Company's Common Shares are listed on the TSX Venture Exchange. (See Note 3) As at June 30, 2020, 16,666 (December 31, 2019 - 8,333) of these warrants are exercisable and \$461 (December 31, 2019 - \$4,845) of the fair value was included in exploration and evaluation expenditures.

15. COMMITMENTS AND CONTINGENCIES

The Company is committed to monthly payments under the terms of management and consulting fees. The aggregate remaining payments per year are as follows:

2020	\$ 90,000
2021	\$ 67,000

16. SUBSEQUENT EVENTS

On July 2, 2020 the Company signed an option agreement with an arm's length private vendor to acquire up to a 100% interest in the *BAM Property*, located within the Golden Triangle in northwest British Columbia, subject to regulatory approval.

Under the terms of the option agreement, the Company can acquire up to a 70% interest in the BAM Property over a three year option period by paying to the vendor: \$60,000 and 200,000 shares in its capital on the signing of the agreement; \$150,000 and 200,000 shares in its capital on the first anniversary of the agreement; \$200,000 and 200,000 shares in its capital on the second anniversary of the agreement and \$550,000 and 800,000 shares in its capital on the third anniversary of the agreement.

The Company is also required to incur exploration expenditures of \$150,000 before the first anniversary of the agreement, \$400,000 of cumulative exploration expenditures by the second anniversary of the agreement and \$750,000 of cumulative exploration expenditures by the third anniversary of the agreement. Following exercise of the option, the Company has the right for a period of 120 days to acquire the remaining 30% interest in the BAM Property, for a 100% total interest, on payment of \$7.5 million of which up to \$4 million may be paid in shares of the Company at its election. If the Company elects to not purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the operator.

During the first three years of the joint venture, the Company will fund the vendor's participating interest in the joint venture. If the vendor fails to sell its interest in the joint venture during such three-year period, the vendor's interest will convert to a 2% net smelter returns royalty (the "NSR"), provided that the Company will have the opportunity to purchase the vendor's interest prior to such conversion for \$7.5 million. Following the conversion of the vendor's interest to a 2% NSR, the Company may purchase 1% of the NSR for \$2,000,000 (inflation adjusted from 2020).

The vendor has also agreed to assign to the Company two claims that form part of the BAM Property for \$40,000 and a 2% NSR, 100% of which can be purchased by the Company for \$1,125,000 prior to commercial production on such claims and 1% of which can be purchased for \$300,000 (inflation adjusted from 2020) after commercial production is achieved on such claims.

On July 9, 2020 the Company signed an option agreement with ArcWest Exploration Inc. ("ArcWest"), an arm's length TSX Venture Exchange listed company, to acquire up to a 70% interest in the *Todd Creek Property*, located within the Golden Triangle in northwest British Columbia, subject to regulatory approval.

Under the terms of the option agreement, the Company can acquire (the "First Option") up to a 51% interest in the Todd Creek Property over a five year option period by paying to ArcWest: \$100,000 and 200,000 shares in its capital on the signing of the agreement; \$150,000 on the first anniversary of the agreement; \$200,000 on the second anniversary of the agreement; \$200,000 on the third anniversary of the agreement; \$250,000 on the fourth anniversary of the agreement and \$250,000 on the fifth anniversary of the agreement.

The Company is also required to incur exploration expenditures of \$500,000 before the first anniversary of the agreement (with a minimum of 1,000 meters of drilling), \$3,000,000 of cumulative exploration expenditures by the second anniversary of the agreement, \$6,500,000 of cumulative exploration expenditures by the third anniversary of the agreement, \$10,000,000 of cumulative exploration expenditures by the fourth anniversary of the agreement and \$15,000,000 of cumulative exploration expenditures by the fifth anniversary of the agreement.

16. SUBSEQUENT EVENTS (continued)

Following exercise of the First Option, the Company has the right for a period of 60 days to acquire (the "Second Option") an additional 19% interest in the Todd Creek Property, for a 70% total interest, by completing a feasibility study within three years of the exercise of the First Option and paying to ArcWest \$250,000 on each anniversary of the exercise of the First Option until the feasibility study is completed. ArcWest has the right, at its election, to receive any payment from the Company as cash, common shares in the Company's capital, or a combination of 50% cash and 50% common shares in the Company's capital. If ArcWest elects to receive any payment in common shares in the Company's capital, the common shares will be priced at CTEC's 30-day volume weighted average price.

On exercise of the Second Option (or the First Option, if the Company does not elect to increase its interest to 19%), the Company and ArcWest will form a joint venture, with the Company appointed the operator. Until commercial production is achieved on the property, the Company will fund the first \$100,000 of joint venture expenditures. If either party's joint venture interest is diluted to less than 10%, its joint venture interest will convert to a 2% net smelter returns royalty, one percent of which may be purchased by the other party for \$5,000,000 at any time. If a production decision is made by the joint venture to place the property into production, the Company will arrange project financing for the joint venture, the repayment of which shall be made out of cash flows from the property in priority to distributions to the joint venture participants.

On July 10, 2020 the Company signed a mineral lease and option agreement with Bull Mountain Resources LLC ("BMR"), an arm's length private company, to lease a 100% interest in the *Stockade Property* located in southeastern Oregon, subject to regulatory approval.

Under the terms of the mineral lease and option agreement, the Company has the right to use the property for exploration and mining for a minimum of 50 years provided it continues to make the following preproduction payments: US\$20,000 and 100,000 common shares in the capital of the Company on signing the agreement (the "Effective Date"); US\$10,000 six-months after the Effective Date; US\$10,000 12-months after the Effective Date; US\$15,000 18-months after the Effective Date; US\$15,000 24-months after the Effective Date; US\$25,000 30-months after the Effective Date and every six months thereafter. The term of the agreement may continue after 50 years provided active mining operations are being conducted on the property.

The Company is also required to incur minimum work expenditures on the property of US\$30,000 in the first year and a minimum of 2,000 meters of drilling in the second year. On achievement of production on the property, a production royalty of 2% of net smelter returns is payable on claims owned by BMR and 0.5% of net smelter returns is payable on third party claims and claims acquired within the area of influence, provided that a minimum production royalty of US\$25,000 is payable quarterly. On payment to BMR of US\$10,000,000 in any combination of preproduction payments, production royalties and minimum royalties, the production royalty on claims owned by BMR reduces to 1% and on third-party claims and claims acquired within the area of influence to 0.25%.

On July 27, 2020 the Company closed the non-brokered *private placement* (the "*Private Placement*") (see news releases dated July 14, 2020 and July 17, 2020) for gross proceeds of \$3.5 million. In closing the *Private Placement*, the Company issued 4.6 million non-flow-through units (the "Units") of the Company at a price of \$0.50 per Unit for gross proceeds of \$2.3 million and 2.0 million flow through common shares (the "FT Shares") in the capital of the Company at a price of \$0.60 per FT Share for gross proceeds of \$1.2 million. Each Unit consists of one non-flow-through common share in the capital of the Company and one non-flow-through common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional non-flow-through common share in the capital of the Company at an exercise price of \$0.75 per common share for a period of two years from the date of issue (the "Expiry Time"), provided that, if after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than \$1.25 for a period of 10 consecutive trading days at any time prior to the Expiry Time, the Company will have the right to accelerate the Expiry Time of the Warrants by giving notice to the holders of the Warrants by news release or other form of notice permitted by the certificate representing the Warrants that the Warrants will expire at 4:30 p.m. (Vancouver time) on a date that is not less than 15 days from the date notice is given.

The gross proceeds of the offering of FT Shares will be used to fund exploration expenditures on the Silver Reef Property (see News Release of June 11, 2020), BAM Property (see News Release of July 2, 2020), Todd Creek Property (see News Release of July 9, 2020) and other Canadian Exploration Expenses that will qualify as "flow through mining expenditures" as defined in subsection 127(9) of the Income Tax Act (Canada), and "BC flow-through mining expenditures", as defined in the Income Tax Act (British Columbia).

Three and six months ended June 30, 2020 and 2019

16. SUBSEQUENT EVENTS (continued)

The proceeds of the offering of Units will be used to fund exploration expenditures and for general corporate purposes. In connection with the Private Placement, the Company paid finder's fees of \$96,975 to Dundee Goodman Merchant Partners, Haywood Securities Inc., Odium Brown Limited, Canaccord Genuity Corp. and Richardson GMP Ltd., representing 6% of the proceeds raised from subscriptions by certain places. The Offering is subject to final TSX Venture Exchange approval, and all securities issued pursuant to the Private Placement will be subject to a four-month hold period.

The securities offered pursuant to the Private Placement have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of such Act. Insiders of the Company purchased 270,000 Units and 448,748 FT Shares. The issuance of Units and Flow-Through Shares to insiders is considered a related party transaction subject to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions.

The Company relied on exemptions from the formal valuation and minority shareholder approval requirements provided under sections 5.5(a) and 5.7(a) of Multilateral Instrument 61-101 on the basis that the participation in the private placement by the insiders did not exceed 25% of the fair market value of the Company's market capitalization.