Comstock Metals Ltd.

Condensed Interim Financial Statements

Three Months Ended December 31, 2019

Expressed in Canadian Dollars

(UNAUDITED)

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 condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these condensed interim financial statements.

Comstock Metals Ltd.
Interim statements of financial position
(Expressed in Canadian dollars - Unaudited)

	Notes	December 31, 2019	September 30, 2019
ASSETS			
Current assets			
Cash		$ 125,791	$ 217,726
Other receivables		7,228	10,500
Prepaid expenses and deposits		31,727	19,525
		164,746	**247,751**
Non-current assets			
Investments	3	2,131,276	1,956,164
Equipment	4	1,047	1,138
Exploration and evaluation assets	5	2,964,442	2,964,097
		5,096,765	4,921,399
TOTAL ASSETS		**$ 5,261,511**	**$ 5,169,150**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6, 8	$ 39,665	$ 45,554
TOTAL LIABILITIES		**$ 39,665**	**$ 45,554**
SHAREHOLDERS' EQUITY			
Share capital	7	19,998,105	19,998,105
Share-based payment reserve	7	2,612,965	2,607,064
Deficit		(17,389,224)	(17,481,573)
TOTAL SHAREHOLDERS' EQUITY		**5,221,846**	**5,123,596**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 5,261,511**	**$ 5,169,150**

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"Steven Goldman"

"Arnold Tenney"

Comstock Metals Ltd.
Interim statements of comprehensive loss
(Expressed in Canadian dollars - Unaudited)

		Three months ended	
		December 31,	December 31,
	Notes	**2019**	**2018**
Expenses			
Amortization	4	$ 91	$ 139
Filing fees		2,213	3,412
Investor relations		6,604	20,371
Management and director fees	8	30,000	30,000
Office, administrative and miscellaneous	8	19,723	26,194
Professional fees		14,609	11,444
Rent	8	4,619	4,939
Share based compensation	7, 8	5,901	24,557
Travel		-	2,214
Loss from operations		(83,760)	(123,270)
Other items			
Interest income		997	2,713
Option revenue	5	-	218,319
Gain on debt settlement	5	-	10,000
Foreign exchange gain		-	2,697
Impairment of mineral property	5	-	(1,839)
Unrealized fair value gain (loss) on investments	3	175,112	(113,250)
		176,109	118,640
Net and comprehensive income (loss)		**$ 92,349**	**$ (4,630)**
Basic and diluted earnings (loss) per share	7	**$ 0.00**	**$ (0.00)**

Comstock Metals Ltd.
Interim statements of changes in equity
(Expressed in Canadian dollars - Unaudited)

		Share capital					
	Notes	Number of shares	Amount	Obligation to issue shares	Share-based payment reserve	Deficit	Total
Balance at October 1, 2018		91,847,530	$ 19,972,105	$ 25,000	$ 2,530,171	$ (11,304,781)	$ 11,222,495
Shares issued for mineral properties	5	700,000	21,000	(25,000)	-	-	(4,000)
Share based compensation	7	-	-	-	24,557	-	24,557
Net and comprehensive loss		-	-	-	-	(4,630)	(4,630)
Balance at December 31, 2018		**92,547,530**	$ 19,993,105	-	$ 2,554,728	$ (11,309,411)	$ 11,238,422
Balance at October 1, 2019		92,747,530	$ 19,998,105	$ -	$ 2,607,064	$ (17,481,573)	$ 5,123,596
Share based compensation	7	-	-	-	5,901	-	5,901
Net and comprehensive income		-	-	-	-	92,349	92,349
Balance at December 31, 2019		**92,747,530**	**$ 19,998,105**	**$ -**	**$ 2,612,965**	**$ (17,389,224)**	**$ 5,221,846**

Comstock Metals Ltd.
Interim statements of cash flows
(Expressed in Canadian dollars - Unaudited)

	Three months ended	
	December 31, 2019	December 31, 2018
Operating activities		
Net income (loss)	$ 92,349	$ (4,630)
Adjustments for non-cash items:		
Amortization	91	139
Share based compensation	5,901	24,557
Gain on settlement of debt	-	(10,000)
Unrealized fair value (gain) loss on investment	(175,112)	113,250
Impairment of exploration and evaluation assets	-	1,839
Changes in non-cash working capital items:		
Receivables	3,272	(7,628)
Prepaid expenses and deposits	(12,202)	(3,199)
Assets held for sale	-	96,000
Accounts payable and accrued liabilities	(5,889)	(26,183)
Net cash flows (used in) received from operating activities	(91,590)	184,145
Investing activities		
Expenditures on exploration and evaluation assets	(345)	(372,487)
Net cash flows used in investing activities	(345)	(372,487)
Decrease in cash	(91,935)	(188,342)
Cash, beginning	217,726	591,146
Cash, ending	**$ 125,791**	**$ 402,804**
Non-cash transactions and supplemental disclosures		
Shares issued for mineral properties	$ -	$ 21,000

1. Nature and continuance of operations

Comstock Metals Ltd. (the “Company” or “Comstock”) was incorporated on December 13, 2007 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company’s shares are traded on the TSX Venture Exchange (“Exchange”) under the symbol “CSL”.

The head office, registered office, principal address and records office of the Company are located at 850 West Hastings Street, Suite 310, Vancouver, British Columbia, Canada, V6C 1E1.

These 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. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2019, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and or private placement of common shares. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. Significant accounting policies and basis of preparation

The condensed interim financial statements were authorized for issue on February 28, 2019 by the directors of the Company.

Statement of compliance to International Financial Reporting Standards

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and accordingly, certain information and note disclosure included in the annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the Company’s September 30, 2019 audited annual financial statements. The Company’s financial statements were consolidated with Minera Comstock, S.A., de C.V. in Mexico up to the date of the completion of the Corona property option agreement in November 2018 (see Note 5) and are no longer consolidated as at December 31, 2019.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont.)

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of net assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions where there are significant risk of material adjustments to assets and liabilities in future accounting periods include the amortization of equipment, recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, and the recoverability of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in preparing the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The classification / allocation of expenditures as exploration and valuation expenditures or operating expenses.

Foreign currency translation

The functional currency is determined using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the parent and subsidiary company's functional and presentation currency.

<u>Transactions and balances:</u>

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

2. Significant accounting policies and basis of preparation (cont.)

Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a declining balance method to write off the cost of the assets to their residual values over their estimated useful lives, using the following rates:

Class of equipment	**Amortization rate**
Computer hardware	50%
Computer software	50%
Camp equipment	20%
Office furniture and equipment	20%

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant, and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Significant accounting policies and basis of preparation (cont.)

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of the options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Loans and receivables	FVTPL
Other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Flow-through liability	Other financial liabilities	Amortized cost
Investment	FVTPL	FVTPL

2. Significant accounting policies and basis of preparation (cont.)

Financial instruments *(cont.)*

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

2. Significant accounting policies and basis of preparation (cont.)

Impairment of assets

The carrying amount of the Company's assets (which includes equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash

Cash include cash on hand, deposits held at call with banks, and bank overdrafts.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies and basis of preparation (cont.)

Income taxes (cont.)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a flow-through tax recovery.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. IFRS 15 establishes a single five-step model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018. The Company has no revenue as at December 31, 2019 and 2018.

(Expressed in Canadian dollars - Unaudited)

2. Significant accounting policies and basis of preparation (cont.)

Accounting Policies adopted during the period

IFRS 16 – Leases. IFRS 16 Leases replaces IAS 17 Leases

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company has adopted IFRS 16 Leases effective for fiscal years beginning January 1, 2019. The Company does not have any leases and has determined that the new policy will not have an impact on its financial statements.

3. Investments

		December 31, 2019		September 30, 2019	
Name	**Type**	**Number**	**Fair Value**	**Number**	**Fair Value**
E3 Metals Corp.	common shares	1,000,000	$ 350,000	1,000,000	$ 475,000
White Gold Corp.	common shares	1,387,210	1,581,419	1,387,210	1,345,594
White Gold Corp.	warrants	350,625	199,857	350,625	135,570
Total Investments			**$ 2,131,276**		**$ 1,956,164**

On August 8, 2018, the Company entered into a joint venture agreement with E3 Metals Corp. (TSXV: ETMC) ("E3 Metals") to acquire and develop prospective mineral assets in the battery metal space. On August 20, 2018 (the "Closing Date"), the Company purchased 1,000,000 units ("Units") in E3 Metals' private placement in consideration of a payment of $400,000. Each Unit consisted of one common share in the capital of E3 Metals and one common share purchase warrant (a "Warrant"). Each Warrant entitled the holder thereof to acquire one common share at a price of $0.40 for a period of 4 months following the Closing Date, and a price of $0.60 thereafter for the balance of the term, with all Warrants expiring 1 year from the Closing Date. The Warrants expired unexercised during the year ended September 30, 2019. The fair value of the shares was $475,000 as September 30, 2019. The fair value of the E3 Metals shares is $350,000 as of December 31, 2019 resulting in an unrealized loss of $125,000 for the three months ended December 31, 2019. The Company accounts for this investment at FVTPL.

On February 28, 2019, the Company sold its QV mineral property to White Gold Corp. (TSXV: WGO) for net proceeds (after bonuses and finder's fees, see Note 5) that included 1,387,210 common shares of White Gold Corp. then trading with a fair value of $1,969,838 at $1.42 per share and 350,625 share purchase warrants of White Gold Corp. to acquire one common share for 3 years at an exercise price equal to $1.50. The fair value of the warrants was $333,094, determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free interest rate of 1.79%; Expected life of 3 years; Expected volatility of 112% and dividend yield of nil. The total fair value of the shares and warrants received was $1,481,164 as of September 30, 2019. The total fair value of the White Gold Corp. investment as of December 31, 2019 is $1,781,276, resulting in an unrealized gain of $300,112 for the three months ended December 31, 2019. The common shares were fair valued at $1,581,419 and the warrants were fair valued at $199,857 using the Black-Scholes Option Pricing Model and the following assumptions: Expected life: 2.16 years; Risk free rate: 1.69%; Expected volatility: 104%; Expected dividend rate: 0% and Expected forfeiture rate: 0%. The Company accounts for this investment at FVTPL.

(Expressed in Canadian dollars - Unaudited)

3. Equipment

	Computer hardware	Computer software	Camp equipment	Office furniture and equipment	Total
Cost:					
At September 30, 2019	$ 5,565	$ 10,305	$ 2,140	$ 508	$ 18,518
At December 31, 2019	**$ 5,565**	**$ 10,305**	**$ 2,140**	**$ 508**	**$ 18,518**
Amortization:					
At September 30, 2018	5,245	9,848	1,462	347	16,902
Charge for the period	133	189	126	30	478
At September 30, 2019	**$ 5,378**	**$ 10,037**	**$ 1,588**	**$ 377**	**$ 17,380**
Charge for the period	23	33	28	7	91
At December 31, 2019	**$ 5,401**	**$ 10,070**	**$ 1,616**	**$ 384**	**$ 17,471**
Net book value:					
At September 30, 2019	$ 187	$ 268	$ 552	$ 131	$ 1,138
At December 31, 2019	**$ 164**	**$ 235**	**$ 524**	**$ 124**	**$ 1,047**

(Expressed in Canadian dollars - Unaudited)

4. Exploration and evaluation assets

	Rawhide	Preview SW	Corona (Mexico)	Total December 31, 2019	Total September 30, 2019
Property acquisition costs					
Balance, beginning of period	$ 116,000	$ 2,695,000	$ 1	$ 2,811,001	$ 5,040,509
Additions	-	-	-	-	76,000
Impairment write-down	-	-	-	-	(2,305,508)
Balance, end of period	116,000	2,695,000	1	2,811,001	2,811,001
Exploration and evaluation costs					
Balance, beginning of period	153,096	-	-	153,096	1,875,707
Costs incurred during period:					
Assays and drilling	-	-	-	-	31,195
Camp and field costs	-	-	-	-	246,220
Drilling	-	-	-	-	143,099
Geological and geophysics	-	345	-	345	134,418
Government grants	-	-	-	-	(50,000)
Supplies and equipment	-	-	-	-	10,600
Impairment write-down	-	-	-	-	(2,238,143)
Balance, end of period	153,096	345	-	153,441	153,096
Total	**$ 269,096**	**$ 2,695,345**	**$ 1**	**$ 2,964,442**	**$ 2,964,097**

Rawhide Property option agreement

On April 3, 2018, the Company entered into an option agreement whereby it can acquire a 100% interest in five mining claims comprising 42 claim units (662 ha) located in the Gowganda area of the historic Greater Cobalt Mining Camp of northern Ontario, comprising the Rawhide cobalt-silver property (the "Rawhide Property").

Under the terms of the option agreement, the Company can earn a 100% interest in the Rawhide Property by making cash and common share payments to the optionors, and completing exploration expenditure commitments, over two years. Details are provided in the table below.

Timing	Cash Payment	Share Payment	Expenditure
Receipt of regulatory approval (paid)	$30,000	200,000	-
6 Months from Signing (paid)	$30,000	200,000	-
12 Months from Signing (paid)	$35,000	200,000	$100,000
18 Months from Signing	$35,000	200,000	-
24 Months from Signing	$45,000	200,000	$400,000
Total	**$175,000**	**1,000,000**	**$500,000**

See also Subsequent Events Note 12 in which there is reference to an Amending Agreement entered into on January 27, 2020 which amends the timing and terms of the payment of the cash payments, the issuance of shares and the timing of the obligation to perform work on the Property Option Agreement relating to the Rawhide property.

5. Exploration and evaluation assets (cont.)

***Rawhide Property option agreement** (cont.)*

The option agreement has been approved by the Exchange. The Company has made the first payment of $30,000 and issued 200,000 common shares at the fair value of $10,000 to the vendors (Note 7). On October 2, 2018, the Company made its second option payment to the vendors of the Rawhide Property by paying $30,000 and issuing them 200,000 shares with a fair value of $6,000. The Company has completed its first year expenditure commitment of $100,000 (see also Notes 7). On May 10, 2019, the Company paid $35,000 and issued an aggregate of 200,000 common shares with a fair value of $5,000 in satisfaction of the third payment.

In addition, if the option is exercised by the Company, the optionors will retain a 2% Net Smelter Returns royalty ("NSR") on future production from the Rawhide Property, 1% of which can be purchased at any time for $1 million.

Preview SW and Old Cabin, Saskatchewan and Ontario, Canada

On September 13, 2016, the Company and Select Sands Corp. ("Select Sands") completed a transaction pursuant to which the Company purchased Select Sands' Preview SW gold project located in Saskatchewan and the Old Cabin property in Ontario (the "Assets"). The Company acquired the Assets in exchange for 4 million common shares in the capital of the Company and the assumption of certain option obligations associated with the Assets. The fair value of the 20 million shares was $5,200,000. The Company allocated 95% of the cost to Preview SW at $4,940,000 and 5% of the cost to Old Cabin at $260,000.

Pursuant to the agreement, the option obligations associated with the Assets include: payment of $60,000 upon receipt of a positive feasibility study and issuance of such number common shares of the Company, determined by dividing $87,500 by the closing price of the Company's common shares on Exchange on the day before the acceptance by the Exchange of the transaction with Select Sand, upon making a production decision as well as a 2.5% NSR of which 1% of the NSR can be purchased for $1,000,000 at any time prior to a production decision and the remaining 1.5% NSR can be purchased for $2,000,000.

During the year ended September 30, 2019, the Company recognized an impairment of $4,541,812 on the Preview SW gold project to reduce its value to $2,695,000 based on the result of an independent fair market valuation performed by an arm's length certified business valuation consultant. During the year ended September 30, 2018, the Company recognized an impairment of $205,433 on the Old Cabin property and reclassified it as an asset held for sale. On November 16, 2018, the Old Cabin property was sold for $96,000 and the Company received the proceeds from the sale on November 19, 2018.

QV Property, Yukon, Canada

On February 28, 2019, (the "Closing Date") the Company sold its QV Property to White Gold Corp. ("White Gold") (TSX.V: WGO) for compensation valued at $2,861,250 based upon a cash payment of $375,000, 1,500,000 common shares of the vendor White Gold Corp. (the "Subject Shares"), then trading with a fair value of $1.42 per share and 375,000 share purchase warrants of White Gold (the "Warrants") to acquire one common share for 3 years at an exercise price equal to $1.50. The fair value of the Warrants was $356,250, determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free interest rate of 1.79%; Expected life of 3 years; Expected volatility of 112% and dividend yield of nil. The total value of the compensation was determined to be $2,861,250 (see also Note 3).

5. Exploration and evaluation assets (cont.)

***QV Property, Yukon, Canada** (cont.)*

In connection with the completion of the sale, the Company paid a finders' fee to Red Cloud Klondike Strike Inc., an advisor to the Company, consisting of $11,775 in cash, 67,790 Subject Shares and 13,125 Warrants. The Subject Shares were fair valued at $1.42 per share for a value of $96,262 and the Warrants were fair valued at $12,469 using the Black-Scholes Option Pricing Model with the following assumptions: Risk free interest rate of 1.79%; Expected life of 3 years; Expected volatility of 112% and dividend yield of nil.

As well, pursuant to the terms of an agreement with Lambent Consulting Inc., the entity through which the Company's CEO, Steven Goldman, provides services to the Company, Lambent Consulting Inc. was paid a bonus payment consisting of $11,250 in cash, 45,000 Subject Shares and 11,250 Warrants. The Subject Shares were fair valued at $1.42 per share for a value of $63,900 and the Warrants were fair valued at $10,688 using the Black-Scholes Option Pricing Model with the following assumptions: Risk free interest rate of 1.79%; Expected life of 3 years; Expected volatility of 112% and dividend yield of nil.

The Company held a 100% interest in the QV Property. The QV Property was subject to a 2.0% NSR. The Company had the right to acquire 1.0% of the NSR for a payment of $2,500,000. Commencing June 22, 2015, the Company began making annual cash advance payments of $25,000 until the commencement of commercial production (the "Advance Royalty"). The Advance Royalty was deductible against the NSR. The Company could pay the Advance Royalty in cash or by issuing common stock of the Company based on the average closing price of its shares in the 10 trading days prior to the due date of the Advance Royalty.

Prior to the sale, on July 11, 2018, the Company and optionor agreed to settle the $25,000 Advance Royalty owed from June 22, 2018 for 500,000 common shares of the Company. On November 14, 2018, these common shares were issued at a fair value of $15,000, resulting in a gain of $10,000.

During the year ended September 30, 2018, the Company recognized an impairment of $3,405,205 on the QV Property and reclassified it as assets held for sale. On February 28, 2019, the Company recognized a further loss on the sale of the QV Property of $240,723.

Corona Property, Mexico

During the year ended September 30, 2013, the Company completed all option requirements and earned a 50% interest in the Corona property. During the year ended September 30, 2014, the Company recognized an impairment of $1,260,806 to write down the property to $1.

On December 7, 2015, Golden Goliath Resources Ltd. ("Golden Goliath"), which holds the other 50% interest in the Corona property, announced that it had signed an option agreement with Fresnillo PLC that includes the Corona property. Under the terms of the agreement, Fresnillo PLC may earn a 100% interest (subject to a 1% NSR half of which may be purchased for US$500,000) in the Corona property as well six other properties held by Golden Goliath by making cash payments totaling US$3 million over three years and by paying all property taxes and conducting all assessment work required to keep the properties in good standing. During November 2018, the option agreement was completed and exercised by Fresnillo PLC and the Company received the final option payment of $218,319 (year ended September 30, 2018 - $18,396). The Company retains a 0.5% NSR on the Corona property.

(Expressed in Canadian dollars - Unaudited)

6. Accounts payable and accrued liabilities

	December 31, 2019	September 30, 2019
Trade payables (Note 8)	$ 18,165	$ 25,554
Accrued liabilities	21,500	20,000
	$ 39,665	**$ 45,554**

At December 31, 2019, there was $Nil for exploration and evaluation expenditures included in accounts payable and accrued liabilities (September 30, 2019 - $Nil).

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2019, there were 92,747,530 issued and fully paid common shares (September 30, 2019 92,747,530).

<u>Three months ended December 31, 2018</u>

No Common shares were issued during the three months ended December 31, 2019.

<u>Year ended September 30, 2019</u>

<u>Shares issued for debt</u>

On May 10, 2019, the Company issued an aggregate of 200,000 common shares with a fair value of $5,000 in accordance with the terms of the Rawhide property option agreement. On October 3, 2018, The Company issued an aggregate of 200,000 common shares with a fair value of $6,000 in accordance with the terms of the Rawhide property option agreement (see also Note 5).

On November 14, 2018, the Company issued an aggregate of 500,000 common shares with a fair value of $15,000 in satisfaction of $25,000 of indebtedness, resulting in a gain on debt settlement of $10,000. This indebtedness was owing to the optionor of the Company's QV Property for the 2018 advance royalty payment (see also Note 5).

(Expressed in Canadian dollars - Unaudited)

7. Share capital (cont.)

Basic and diluted loss per share

The calculation of basic and diluted earnings (loss) per share for the three months ended December 31, 2019 was based on the income (loss) attributable to common shareholders of $92,349 (2018 – $(4,630)) and the weighted average number of common shares outstanding of 92,747,530 (2018 – 92,296,443).

Diluted earnings per share for the three months ended December 31, 2019 does include the effect of 6,235,000 stock options and 12,253,400 share purchase warrants. Diluted loss per share for the three months ended December 31, 2018 does not include the effect of 6,315,000 stock options and 43,605,628 share purchase warrants as the effect would be anti-dilutive.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company.

The changes in options during the three months ended December 31, 2019 and 2018 are as follows:

	December 31, 2019		December 31, 2018	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning	8,315,000	$ 0.14	6,315,000	$ 0.17
Expired	(2,080,000)	0.16	-	-
Options outstanding and exercisable, ending	**6,235,000**	**$ 0.14**	**6,315,000**	**$ 0.17**

No Stock options were granted or exercised during the three months ended December 31, 2019 and 2018. On April 4, 2019, the Company granted 2,000,000 stock options to directors, officers and a consultant of the Company. The options vest 50% on April 4, 2019 and 50% on October 14, 2019. During the year ended September 30, 2019, the total fair value of these options was $60,000 using the Black-Scholes Option Pricing Model and the following assumptions:

	2019
Expected life:	5 years
Risk free rate:	1.56%
Expected volatility:	136%
Expected dividend rate:	0%
Expected forfeiture rate:	0%

The Company recognized $5,901 (2018 - $24,557) of share-based compensation from the vesting of options in the current period.

(Expressed in Canadian dollars - Unaudited)

7. Share capital (cont.)

Stock options *(cont.)*

The following options were outstanding and vested as of December 31, 2019:

Expiry date	Outstanding	Vested	Exercise price
March 17, 2021	290,000	290,000	$0.25
April 7, 2021	120,000	120,000	$0.25
August 15, 2021	635,000	635,000	$0.355
September 16, 2021	200,000	200,000	$0.28
March 1, 2022	1,500,000	1,500,000	$0.195
May 30, 2023	1,200,000	1,200,000	$0.07
June 15, 2023	650,000	650,000	$0.05
July 1, 2023	100,000	100,000	$0.055
April 4, 2024	1,540,000	1,540,000	$0.05
	6,235,000	**6,235,000**	

At December 31, 2019, the weighted average remaining contractual life of outstanding options was 2.95 years (2018 – 3.47 years).

Warrants

The changes in warrants during the three months ended December 31, 2019 and 2018 are as follows:

	December 31, 2019		**December 31, 2018**	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning	24,760,071	$ 0.14	43,605,628	$ 0.16
Expired	(12,506,671)	0.18	-	-
Warrants outstanding, ending	**12,253,400**	**$ 0.10**	**43,605,628**	**$ 0.16**

The following warrants were outstanding as of December 31, 2019:

Expiry date	Quantity	Exercise price
July 3, 2020	12,127,400	$0.10
* July 3, 2020	126,000	$0.05
	12,253,400	

* Broker unit: entitles the holder thereof to purchase one unit of the Company until July 3, 2020 at an exercise price of $0.25 per unit. Each unit consists of one common share of the Company and one common share purchase warrant of the Company with an exercise price of $0.50.

At December 31, 2019, the weighted average remaining contractual life of warrants outstanding was 0.51 years (December 31, 2018 – 0.79 years).

(Expressed in Canadian dollars - Unaudited)

7. Share capital (cont.)

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

8. Related party transactions

The Company incurred the following transactions with respect to officers and directors of the Company or corporations controlled by them during the three months ended December 31, 2019 and 2018:

Key management personnel compensation

	December 31, 2019	December 31, 2018
Administration, director and consulting fees	$ 19,500	$ 22,500
Management fees	30,000	30,000
Share-based compensation to directors and officers	5,749	24,557
	$ 55,249	**$ 77,057**

Related party balances included in accounts payable and accrued liabilities

	December 31, 2019	September 30, 2019
Due to officers and directors for consulting fees	$ 8,650	$ 8,650
Due to company with a common director	1,363	3,555
	$ 10,013	**$ 12,205**

The Company paid $5,716 for shared rent and office services (2018 - $8,554) to a company with common directors during the three months ended December 31, 2019.

9. Financial instruments and risk management

The Company's financial instruments consist of cash, other receivables, accounts payable and investment.

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices 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 Company's cash is measured using level 1 inputs. The fair value of the Company's investment in the shares of a public company is measured using level 1 inputs. The fair value was determined by reference to the underlying share price quoted on the open market at the reporting date. The fair value of the Company's investment in the warrants of a public company is measured using level 3 inputs. The fair value was determined by through calculation using the Black–Scholes Option Pricing Model at the reporting date (Note 3).

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash. The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk is low.

Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk relates to its ability to maintain the current rate of interest on its cash equivalents. Management believes the interest rate risk to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due. Management believes liquidity risk is high.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Company's functional currency is the Canadian dollar. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk. Management believes that the market risk is low with the exception of the value of the investments in E3 Metals and White Gold (Note 3) which are affected by price risk.

(Expressed in Canadian dollars - Unaudited)

10. Capital management

The Company identifies capital as cash and share capital. The Company manages its capital structure and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of exploration and evaluation assets. 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.

The properties in which the Company has interests are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and raise additional capital as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the three months ended December 31, 2019.

11. Commitments

Agreement with President and CEO

On May 15, 2019, the Company signed a new agreement with a company owned and controlled by its President and CEO (the "CEO") for a 12-month term. Under the agreement, the CEO is to be paid $10,000 per month or $15,000 per month when a private placement occurs. The CEO shall also receive a bonus of 3% of the value of any material asset sale that occurs during his term. In the event that no such material asset sale occurs during his term, the CEO shall be eligible to earn a bonus of up to $50,000 as determined by the Company's other board members.

12. Subsequent events

Rawhide Property

The Company and vendors of the Rawhide property option agreement amended the terms of the agreement on January 27, 2020 (see also Note 5). The payments of shares and cash as well as expenditures on exploration that were due at 18 and 24 months from signing have been removed and replaced with the following:

Due Date	**Cash Payment**	**Share Payment**	**Expenditures on Exploration**
April 3, 2020	$17,500	-	-
June 30, 2020	-	400,000	-
October 31, 2020	$17,500	-	-
April 30, 2021	$22,500	-	-
October 31, 2021	$22,500	-	-
December 31, 2021	-	-	$400,000
Total	**$80,000**	**400,000**	**$400,000**

12. Subsequent events

Common share consolidation

On February 7, 2020, the Company announced that it intends to consolidate its common shares on a 5 for 1 basis. The consolidation will be effective upon receipt of all the customary regulatory approvals.

Private Placement

On February 7, 2020, the Company announced a proposed non-brokered private placement of up to 3,000,000 units (the "Units") priced, on a post-consolidated basis, at $0.10 per Unit for gross proceeds of up to $300,000 (the "Offering"). The Units to be issued under the proposed Offering will consist of one common share of the Company and one common share purchase warrant (each whole warrant, a "Warrant"). The Warrants will be exercisable for a period of 36 months from closing at a post-consolidated exercise price of $0.12 for the first 12 months following closing and a post-consolidated exercise price of $0.15 for the final 24 months of their term. Certain related parties of the Company may purchase Units under the Offering.