



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

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

BARKSDALE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

(Expressed in Canadian Dollars – Unaudited)

	December 31, 2020	March 31, 2020
	\$	\$
ASSETS		
Current		
Cash	6,664,843	2,622,306
Receivables	28,001	12,636
Prepays	177,390	233,053
	<u>6,870,234</u>	<u>2,867,995</u>
Exploration and evaluation assets (Note 4)	8,938,060	6,793,538
Right-of-use assets (Note 5)	<u>141,587</u>	<u>74,818</u>
	<u>15,949,881</u>	<u>9,736,351</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 6 and 8)	379,948	265,982
Current portion of lease liabilities (Note 5)	30,163	33,309
	<u>410,111</u>	<u>299,291</u>
Lease liabilities (Note 5)	<u>109,529</u>	<u>44,028</u>
	<u>519,640</u>	<u>343,319</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	38,255,526	31,218,325
Reserves (Note 7)	2,511,809	1,975,962
Deficit	<u>(25,337,094)</u>	<u>(23,801,255)</u>
	<u>15,430,241</u>	<u>9,393,032</u>
	<u>15,949,881</u>	<u>9,736,351</u>

Nature of Operations and Going Concern (Note 1)
 Commitments (Note 12)
 Subsequent Event (Note 13)

Approved on behalf of the Board of Directors on February 24, 2021:

"Darren Blasutti"

Director

"Peter McRae"

Director

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

BARKSDALE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE LOSS

(Expressed in Canadian Dollars – Unaudited)

	For the three months ended		For the nine months ended	
	December 31,		December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Expenses				
Advertising and marketing	95,130	22,534	139,158	171,469
Consulting fees	4,042	33,512	9,000	101,560
Depreciation (Note 5)	11,353	9,114	29,582	15,825
Foreign exchange loss	14,649	3,269	55,167	12,670
Insurance	6,926	5,908	19,262	16,623
Interest expense on lease liabilities (Note 5)	1,792	1,605	4,305	3,000
Investor relations	2,740	16,944	7,740	68,354
Management fees (Note 8)	136,075	104,875	365,825	311,775
Office and general	17,935	27,204	48,062	57,914
Professional fees (Note 8)	70,833	52,438	209,906	161,306
Property investigation costs	9,981	22,218	50,906	39,022
Rent (Note 8)	12,600	13,800	37,800	29,100
Share-based compensation (Notes 7 and 8)	358,156	106,319	487,586	419,633
Transfer agent and filing fees	61,058	12,352	81,334	36,703
Travel and related	5,446	44,264	10,820	68,812
	(808,716)	(476,356)	(1,556,453)	(1,513,766)
Gain on lease termination	2,157	-	2,157	-
Interest income	3,459	16,167	10,426	48,401
Loss and comprehensive loss for the period	(803,100)	(460,189)	(1,543,870)	(1,465,365)
Basic and diluted loss per share	(0.01)	(0.01)	(0.03)	(0.03)
Weighted average number of common shares outstanding	63,256,222	43,688,043	50,533,781	42,023,423

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

BARKSDALE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
CASH FLOWS

(Expressed in Canadian Dollars – Unaudited)

	For the nine months ended December 31,	
	2020	2019
	\$	\$
Cash flows used in operating activities		
Loss for the period	(1,543,870)	(1,465,365)
Items not affecting cash		
Depreciation	29,582	15,825
Gain on lease termination	(2,157)	-
Share-based compensation	487,586	419,633
Interest expense on lease liabilities	4,305	-
Foreign exchange loss	40,133	14,480
	<u>(984,421)</u>	<u>(1,015,427)</u>
Changes in non-cash working capital items		
Receivables	(15,365)	(11,542)
Prepaid expenses	55,663	151,651
Accounts payable and accrued liabilities	(62,790)	(56,960)
	<u>(1,006,913)</u>	<u>(932,278)</u>
Cash flows used in investing activities		
Exploration and evaluation asset expenditures	<u>(945,171)</u>	<u>(1,117,972)</u>
Cash flows from financing activities		
Proceeds from shares issuance	6,325,000	1,847,693
Share issuance costs	(296,858)	(42,901)
Proceeds from stock options exercised	-	21,000
Proceeds from warrants exercised	-	99,000
Repayment of lease liabilities	(33,521)	(7,145)
	<u>5,994,621</u>	<u>1,917,647</u>
Net change in cash	4,042,537	(132,603)
Cash, beginning of the period	<u>2,622,306</u>	<u>3,381,163</u>
Cash, end of the period	<u>6,664,843</u>	<u>3,248,560</u>
Non-cash transactions		
Exploration and evaluation assets in accounts payable and accrued liabilities	212,841	82,402
Shares issued for exploration and evaluation assets	1,065,351	635,878
Warrants issued for share issuance costs	56,292	-
Reclassification of cancelled stock options	8,031	79,790
Reclassification of exercised stock options	-	19,948
Reclassification of expired warrants	-	21,379
Reclassification of exercised warrants	-	88,187
Capitalization of right-of-use assets and lease liabilities	136,616	99,757
Reclassification of lease termination	42,422	-

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

BARKSDALE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars - Unaudited)

	Number of Shares Issued	Share Capital \$	Reserves \$	Accumulated Deficit \$	Total Shareholders' Equity \$
Balance at March 31, 2019	38,489,686	28,528,141	1,808,927	(22,059,656)	8,277,412
Share issued for cash	4,016,723	1,847,693	-	-	1,847,693
Share issued for exploration and evaluation assets	964,841	635,878	-	-	635,878
Share issuance costs	-	(42,901)	-	-	(42,901)
Share-based compensation	-	-	419,633	-	419,633
Stock options cancelled	-	-	(79,790)	79,790	-
Stock options exercised	50,000	40,948	(19,948)	-	21,000
Warrants exercised	247,500	187,187	(88,187)	-	99,000
Net loss for the period	-	-	-	(1,465,365)	(1,465,365)
Balance at December 31, 2019	43,768,750	31,196,946	2,040,635	(23,445,231)	9,792,350
Share-based compensation	-	-	140,048	-	140,048
Stock options cancelled	-	-	(183,342)	183,342	-
Warrants expired	-	21,379	(21,379)	-	-
Net loss for the period	-	-	-	(539,366)	(539,366)
Balance at March 31, 2020	43,768,750	31,218,325	1,975,962	(23,801,255)	9,393,032
Share issued for cash	16,644,737	6,325,000	-	-	6,325,000
Share issued for exploration and evaluation assets	2,851,431	1,065,351	-	-	1,065,351
Share issuance costs	-	(353,150)	56,292	-	(296,858)
Share-based compensation	-	-	487,586	-	487,586
Stock options cancelled	-	-	(8,031)	8,031	-
Net loss for the period	-	-	-	(1,543,870)	(1,543,870)
Balance at December 31, 2020	63,264,918	38,255,526	2,511,809	(25,337,094)	15,430,241

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

BARKSDALE RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars – Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Barksdale Resources Corp. (“Barksdale” or the “Company”), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange (“TSXV”) and the OTCQX in the United States and trades under the symbol BRO.V and BRKCF respectively. The Company’s registered office is Suite 615, 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

The Company’s principal business activities include the acquisition and exploration of precious and base metal mineral properties in Arizona, USA and in Sonora, Mexico. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These condensed interim consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The Company has not generated revenues from its operations to date. As at December 31, 2020, the Company has accumulated net losses of \$25,337,094 since inception and has working capital of \$6,460,123. The operations of the Company have primarily been funded by the issuance of common shares. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management believes that the Company has sufficient working capital to meet the Company’s obligations and activities over the next twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

BARKSDALE RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars – Unaudited)

2. BASIS OF PRESENTATION (CONTINUED)

a) Statement of Compliance (continued)

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the years ended March 31, 2020 and 2019.

These condensed interim consolidated financial statements for the three and nine months ended December 31, 2020 and 2019 were authorized by the Board of Directors for issuance on February 24, 2021.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2020, except for the following:

Government Assistance

The Company received certain government assistance in the form of forgivable loans from the Canadian government in connection with the COVID-19 pandemic. When there is reasonable assurance that the amounts will be forgiven, the Company reduces the loan and credits the forgiven amounts to the related expenses. The Company includes government assistance that has not been forgiven or is repayable in accounts payable and accrued liabilities.

b) Basis of Presentation

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

c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, TBJ Resources (US) Inc., Arizona Standard Resources Corp., Arizona Standard (US) Corp., IC Exploration Ltd., IC Exploration (US) Ltd., 1260938 BC Ltd., and Estrella de Cobre, S.A. de C.V. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

d) Use of Estimates and Judgements

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

BARKSDALE RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars – Unaudited)

2. BASIS OF PRESENTATION (CONTINUED)

d) Use of Estimates and Judgements (continued)

Significant areas requiring the use of management estimates and judgments include:

- (i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- (ii) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to identify new business opportunities and working capital requirements, the outcome of which is uncertain.
- (iii) The determination that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.
- (iv) Inputs used in the valuation model to determine the fair value of stock options.
- (v) The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the rate of a commercial mortgage rate, observed in the period when the lease agreement commences or is modified.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with IFRS and reflect management's consideration of the following significant accounting policies:

a) Foreign Currency Transactions

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

BARKSDALE RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars – Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Recent Accounting Pronouncements

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended December 31, 2020 and have not been applied in preparing these condensed interim consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statement.

4. EXPLORATION AND EVALUATION ASSETS

	Sunnyside	Four Metals	San Antonio	Guajolote	San Javier	Total
	\$	\$	\$	\$	\$	\$
Balance, March 31, 2019	4,838,026	48,419	-	-	-	4,886,445
Acquisition and staking costs	-	67,107	602,202	-	-	669,309
<i>Exploration expenditures:</i>						
Accommodation and related	72,452	-	-	-	-	72,452
Claim maintenance fees	69,603	8,735	75,022	-	-	153,360
Consulting	179,045	-	-	-	-	179,045
Data analysis	52,827	-	-	-	-	52,827
Geological	118,827	-	-	-	-	118,827
Geophysics	24,427	-	3,026	-	-	27,453
Permitting	569,165	-	8,946	-	-	578,111
Sampling and processing	11,945	-	-	-	-	11,945
Storage	4,420	1,481	-	-	-	5,901
Supplies and fuel	29,650	-	-	-	-	29,650
Truck rental	8,213	-	-	-	-	8,213
Balance, March 31, 2020	5,978,600	125,742	689,196	-	-	6,793,538
Acquisition and staking costs	-	66,139	-	33,095	988,000	1,087,234
<i>Exploration expenditures:</i>						
Accommodation and related	14,352	-	9,891	-	3,391	27,634
Claim maintenance fees	67,097	9,185	72,043	-	-	148,325
Consulting	116,473	-	6,926	-	11,567	134,966
Core transportation	45,242	-	-	-	-	45,242
Data analysis	130,300	-	-	-	-	130,300
Geological	2,777	-	-	-	-	2,777
Geophysics	-	-	-	-	23,694	23,694
Permitting	469,418	-	56,183	-	-	525,601
Sampling and processing	13,623	-	-	-	-	13,623
Storage	110	2,004	-	-	-	2,114
Supplies and fuel	1,407	-	627	-	978	3,012
Balance, December 31, 2020	6,839,399	203,070	834,866	33,095	1,027,630	8,938,060

Sunnyside Project

On August 10, 2017, the Company entered into an arm's length definitive agreement (the "Sunnyside Agreement") with Regal Resources USA, Inc. ("Regal") to acquire, by way of option (the "Option"), up to 67.5% of the Sunnyside Property located in Santa Cruz County, Arizona.

BARKSDALE RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars – Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sunnyside Project (Continued)

The Option is exercisable in two stages with the Company entitled to acquire an initial 51% interest in the Sunnyside Property upon making payments totalling \$2,950,000 cash and the issuance of 10,100,000 common shares to Regal and cumulative expenditures of \$6,000,000 on the property during the first two years of the Option (following receipt of all required governmental permits).

Upon acquiring an initial 51% interest in the Sunnyside Property, the Company will be entitled to increase its interest to 67.5% upon payment of an additional \$550,000 cash and the issuance of 4,900,000 common shares to Regal and the expenditure of an additional \$6,000,000 on the property within a further two year period.

The following is a summary of the Option earn-in requirements:

Period	Cash \$	Exploration Requirement \$	Number of Shares
To Earn 51% Interest			
Upon execution of Sunnyside Agreements	100,000 (paid)	-	-
Within 3 days following TSXV acceptance of Option	650,000 (paid)	-	1,250,000 (issued)
On or before end of Year 1 *	1,200,000 (\$254,700 paid)	3,000,000 (incurred)	3,850,000 (issued)
On or before end of Year 2	1,000,000	3,000,000	5,000,000
To Increase Interest to 67.5%			
On or before end of Year 3	-	3,000,000	-
On or before end of Year 4	550,000	3,000,000	4,900,000
Total	3,500,000	12,000,000	15,000,000

* Year 1 shall commence on the date the Company has received all required governmental permits including drilling permits to carry out its initial exploration program on the Sunnyside Property. In November 2017, the Company paid the final option payment of \$254,700 (US\$200,000) to the original optionors on behalf of Regal and the payment was credited towards the required cash payment of \$1,200,000.

Upon the Company earning either a 51% interest or 67.5% interest in the Sunnyside Property, the Company and Regal will enter into and participate in a joint venture for the purpose of further exploring and developing the property. The Sunnyside Agreements contain provisions for dilution of a party's working interest for failure to fund joint venture cash calls, subject to automatic conversion of a party's interest into a 5% net proceeds interest (not to exceed 90% of the net amount of the party's contributed capital) if diluted to less than 10%. Barksdale will be the operator of the Sunnyside Property during the term of the Option and, if applicable, the joint venture.

The Sunnyside Agreement further provides that:

- a) during the first two years of the Option, Regal shall vote all of its Barksdale shares in accordance with the recommendations of the Company's management from time to time, other than matters relating solely to Regal or the Sunnyside Property and subject to Regal's right to abstain from voting in its discretion;
- b) Regal shall give the Company not less than five (5) days advance notice of any proposed sale of Barksdale shares for so long as Regal owns 5% or more of the Company's outstanding shares;

BARKSDALE RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sunnyside Project (Continued)

- c) until such time as the Company has earned a 51% interest in the Sunnyside Property, the Company will not acquire, directly or indirectly, any common shares of Regal Resources Inc. (“Regal BC”) without the prior consent of Regal BC;
- d) the Company has a 15 day right of first refusal to acquire all or any part of Regal’s remaining interest in the Sunnyside Property in the event of a proposed sale or transfer of such interest by Regal;
- e) the Company is subject to an acceleration payment clause in the case of change of control of the Company or a transfer of the interest in the Sunnyside Property to a third party during the Option earn-in period; and
- f) the Sunnyside Agreement is subject to a net smelter royalty between 1.5% to 3%.

The Company may terminate the Option at any time, in its discretion, subject to satisfying any accrued obligations or liabilities including reclamation requirements, as required.

Four Metals Project

On April 19, 2018, the Company entered into a definitive option agreement with MinQuest, Ltd. and Allegiant Gold (U.S.) Ltd., a wholly-owned subsidiary of Allegiant Gold Ltd. (together “Allegiant”) to acquire a 100% undivided interest in the Four Metals property (“Four Metals”) located in Santa Cruz County, Arizona. In order to exercise the option, the Company must make option payments totaling US\$450,000 (the “Option Payments”) to MinQuest Ltd. and Allegiant on a 50/50 basis, in cash and common shares of Barksdale (based on the volume weighted average of the Company’s shares for the twenty trading days immediately preceding the date of issue subject to a minimum issue price of \$0.68) over a period of five years as follows:

Date	Cash US\$	Value of Shares US\$	Total US\$
Upon execution of option agreement	(paid) 25,000	-	25,000
April 19, 2019	(paid) 25,000	(issued) 25,000	50,000
April 19, 2020	(paid) 25,000	(issued) 25,000	50,000
April 19, 2021	25,000	25,000	50,000
April 19, 2022	25,000	25,000	50,000
April 19, 2023	100,000	125,000	225,000
Total	225,000	225,000	450,000

San Antonio Project

On July 15, 2019, the Company closed a purchase and sale agreement with Teck Resources Limited (“Teck”) to acquire a 100% undivided interest in the San Antonio Property located in Santa Cruz County, Arizona approximately 5 kilometers southeast of the Sunnyside Property in consideration for 898,809 common shares of the Company (issued at a value of \$602,202). Additionally, Teck will retain a one and a half percent (1.5%) net smelter return royalty on future production and a right of first refusal over any future sale or other disposition of the San Antonio Property by the Company.

BARKSDALE RESOURCES CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Guajolote Patented Mining Claim

In June 2020, the Company entered into an option agreement to acquire a 100% interest in a patented mining claim. The property is located within close proximity to the Company's projects located in Santa Cruz County, Arizona. In order to exercise the option, the Company will make option payments in cash and commons shares of the Company (based on the volume weighted average of the Company's shares for the twenty trading days immediately preceding the date of issue subject to a minimum issue price of \$0.38) to the optionors as follows:

Date	Cash US\$	Value of Shares US\$	Total US\$
Upon execution of option agreement	-	(issued) 25,000	25,000
June 15, 2021	50,000	50,000	100,000
Total	50,000	75,000	125,000

The share consideration of the option payments is subject to certain acceleration clauses.

San Javier Project

In September 2020, the Company entered into a definitive option agreement to acquire a 100% interest in the San Javier copper-gold project from Tusk Exploration Ltd. ("Tusk") The San Javier property is located in central Sonora, Mexico. In order to exercise the option, the Company will make option payments to the optionors as follows:

Date	Cash \$	Number of Shares
Within 3 business days following the later of (a) execution and delivery of option agreement and (b) TSXV conditional acceptance ("Year 1")	*50,000	*4,000,000 *(2,600,000 issued)
On or before September 22, 2021 ("Year 2")	*100,000	*2,000,000
On or before the earlier of (a) September 22, 2023 and (b) the completion of a "pre-feasibility study" on the Property	150,000	3,000,000
On or before the earlier of (a) September 22, 2026 and (b) the date Barksdale enters into definitive documentation for financing the construction of a mine on the Property	200,000	4,000,000
Total	500,000	13,000,000

* There are certain title issues with respect to three of the twelve mining concessions comprising approximately 307.46 hectares of the total lands covered under the option. Tusk agreed to defer 35% of the Year 1 and Year 2 option cash and share payments until the title issues have been rectified,. This lowered the initial cash and share consideration delivered to Tusk from 4.0 million shares of the Company and \$50,000 in cash to 2.6 million shares of the Company and \$32,500 in cash. Tusk is in the process of registering the concessions after receiving a positive court order that rectifies the title issues. Once the claims have been registered, which is anticipated to occur in 2021, Barksdale will make the deferred payment as outlined above.

Upon exercise of the option, the Company will be subject to a net smelter return on the San Javier project of 1.0% when copper prices are US\$3.50 or less per pound and 2.0% when copper prices are US\$3.51 or higher per pound. The royalty is subject to a right of first refusal in favor of the Company.

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

	Office Leases
	\$
Cost:	
At March 31, 2019	-
Additions	99,757
At March 31, 2020	99,757
Additions	136,616
Lease termination	(80,530)
At December 31, 2020	155,843
Depreciation:	
At March 31, 2019	-
Charge for the year	24,939
At March 31, 2020	24,939
Adjustment from lease termination	(40,265)
Charge for the period	29,582
At December 31, 2020	14,256
Net book value:	
At March 31, 2020	74,818
At December 31, 2020	141,587

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

Lease Liabilities

	\$
Lease liabilities recognized as of June 30, 2019	73,070
Lease liabilities recognized as of October 1, 2019	8,897
Lease payments made	(20,361)
Interest expense on lease liabilities	4,473
Foreign exchange adjustment	11,258
At March 31, 2020	77,337
Lease liabilities recognized as of December 1, 2020	136,616
Lease terminated as of December 31, 2020	(41,221)
Lease payments made	(33,521)
Interest expense on lease liabilities	4,305
Foreign exchange adjustment	(3,824)
	139,692
Less: current portion	(30,163)
At December 31, 2020	109,529

The lease liabilities were discounted at a discount rate of 7% as at June 30, 2019, October 1, 2019, and December 1, 2020.

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

	\$
Fiscal 2021	10,351
Fiscal 2022	36,439
Fiscal 2023	31,474
Fiscal 2024	31,474
Fiscal 2025	31,474
Fiscal 2026	23,605

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	March 31, 2020
	\$	\$
Accounts payable	130,898	124,123
Accrued liabilities	189,050	141,859
Government assistance	60,000	-
	379,948	265,982

7. SHARE CAPITAL AND RESERVES

Authorized Share Capital

The authorized share capital is comprised of an unlimited number of common shares without par value.

Issued Share Capital

During the year ended March 31, 2020:

In April 2019, the Company issued 66,032 common shares with a fair value of \$33,676 in accordance with the option agreement for Four Metals (Note 4).

In June 2019, the Company closed the first tranche of a non-brokered private placement financing of 3,409,795 common shares at a price of \$0.46 per share for gross proceeds of \$1,568,506.

In July 2019, the Company closed the final tranche of a non-brokered private placement financing of 606,928 common shares at a price of \$0.46 per share for gross proceeds of \$279,187. Share issuance costs of \$42,901 in cash were paid in connection with the private placement financings.

In August 2019, the Company issued 898,809 common shares in connection to the purchase and sale agreement for the San Antonio Property valued at \$602,202 (Note 4).

During the year ended March 31, 2020, the Company issued 50,000 common shares in connection with the exercise of 50,000 stock options with an exercise price of \$0.42 for total proceeds of \$21,000. In addition, the Company issued 247,500 common shares in connection with the exercise of 247,500 warrants with an exercise price of \$0.40 for total proceeds of \$99,000.

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7. SHARE CAPITAL AND RESERVES (CONTINUED)

Issued Share Capital (Continued)

During the nine months ended December 31, 2020:

In April 2020, the Company issued 136,986 common shares with a fair value of \$31,506 in accordance with the option agreement for Four Metals (Note 4).

In June 2020, the Company issued 89,445 common shares with a fair value of \$33,095 in accordance with the option agreement for Guajolote Lode Mining Claim (Note 4).

In September 2020, the Company closed the first tranche of a private placement financing of 15,263,158 units at a price of \$0.38 per unit for gross proceeds of \$5,800,000. Each unit consists of one common share of the Company and one-half share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.55 for a period, subject to acceleration, of 24 months following the closing of the financing. The Company incurred finders' fees and cash expenses of \$296,858 and issued 454,989 finders' warrants in connection with the financing.

In September 2020, the Company issued 2,600,000 common shares with a fair value of \$988,000 in accordance with the option agreement for San Javier Project (Note 4).

In October 2020, the Company closed the final tranche of a private placement financing with Teck of 1,381,579 units at a price of \$0.38 per unit for gross proceeds of \$525,000. Each unit consists of one common share of the Company and one-half share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.55 for a period, subject to acceleration, of 24 months following the closing of financing.

In October 2020, the Company closed an agreement to acquire historic diamond drill core samples and data related to the Sunnyside Project (Note 4) in exchange for 25,000 common shares of the Company with a fair value of \$12,750.

Stock Options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

In March 2019, the Company granted 800,000 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.58 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at \$428,330, of which \$160,339 was recognized during the year ended March 31, 2019, \$205,013 was recognized during the year ended March 31, 2020, and \$51,918 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.43%, volatility of 198%, and nil forecasted dividend yield.

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7. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock Options (Continued)

In April 2019, the Company granted 385,000 stock options to a director and an officer of the Company at an exercise price of \$0.52 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at \$195,819, of which \$156,269 was recognized during the year ended March 31, 2020 and \$29,192 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.49%, volatility of 204%, and nil forecasted dividend yield.

In September 2019, the Company granted 200,000 stock options to a director of the Company at an exercise price of \$0.53 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at \$99,649, of which \$59,502 was recognized during the year ended March 31, 2020 and \$28,196 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.42%, volatility of 203%, and nil forecasted dividend yield.

In January 2020, the Company granted 30,000 stock options to a consultant of the Company at an exercise price of \$0.365 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$5,824, of which \$2,948 was recognized during the year ended March 31, 2020 and \$2,728 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 1.44%, volatility of 82%, and nil forecasted dividend yield.

In February 2020, the Company granted 621,528 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.365 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$108,729, of which \$46,082 was recognized during the year ended March 31, 2020 and \$56,903 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 1.28%, volatility of 82%, and nil forecasted dividend yield.

In October 2020, the Company granted 925,000 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.50 per share for a period of three years, vested as follows: 2/3 on the date of grant and 1/3 on February 25, 2021. The options were valued at \$257,827, of which \$223,203 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 0.25%, volatility of 93%, and nil forecasted dividend yield.

In November 2020, the Company granted 250,000 stock options to an employee of the Company at an exercise price of \$0.68 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$87,925, of which \$39,927 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 0.30%, volatility of 87%, and nil forecasted dividend yield.

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7. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock Options (Continued)

In December 2020, the Company granted 400,000 stock options to an employee and a director of the Company at an exercise price of \$0.63 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$139,071, of which \$55,518 was recognized during the nine months ended December 31, 2020, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 0.25%, volatility of 87%, and nil forecasted dividend yield.

A summary of stock options activities is as follows:

	Number of options #	Weighted average exercise price \$
Balance, March 31, 2019	3,650,000	0.55
Granted	1,236,528	0.44
Exercised	(50,000)	0.42
Cancelled	(530,000)	0.51
Balance, March 31, 2020	4,306,528	0.53
Granted	1,575,000	0.56
Cancelled	(15,000)	0.58
Balance, December 31, 2020	5,866,528	0.54

A summary of the stock options outstanding and exercisable at December 31, 2020 is as follows:

Exercise Price \$	Number Outstanding	Number Exercisable	Expiry Date
0.42	1,600,000	1,600,000	October 6, 2022
0.88	600,000	600,000	November 14, 2022
0.365	30,000	20,000	January 28, 2023
0.365	621,528	414,352	February 26, 2023
0.79	100,000	100,000	April 19, 2023
0.50	925,000	616,667	October 8, 2023
0.68	250,000	83,333	November 16, 2023
0.63	400,000	133,333	December 7, 2023
0.58	755,000	503,333	March 1, 2024
0.52	385,000	256,667	April 26, 2024
0.53	200,000	133,333	September 20, 2024
	5,866,528	4,461,018	

Warrants

In January 2019, 350,000 finder's warrants were issued in connection with the private placement financing. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.60 for a period of two years from closing. The warrants were valued at \$118,226 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 1.82%, volatility of 118%, and nil forecasted dividend yield.

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7. SHARE CAPITAL AND RESERVES (CONTINUED)

Warrants (Continued)

In September 2020, 7,631,579 warrants and 454,989 finder's warrants were issued in connection with the private placement financing. Each warrant or finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.55 for a period of two years from closing. The finders' warrant of 454,989 were valued at \$56,292 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 0.25%, volatility of 80%, and nil forecasted dividend yield.

In October 2020, 690,789 warrants were issued in connection with the private placement financing. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.55 for a period of two years from closing.

A summary of warrant activities is as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, March 31, 2019	657,500	0.51
Exercised	(247,500)	0.40
Expired	(60,000)	0.40
Balance, March 31, 2020	350,000	0.60
Issued	8,777,357	0.55
Balance, December 31, 2020	9,127,357	0.55

A summary of the warrants outstanding and exercisable at December 31, 2020 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date
\$		
0.60	*350,000	January 18, 2021
0.55	8,086,568	September 29, 2022
0.55	690,789	October 1, 2022
	9,127,357	

**these warrants expired unexercised subsequent to the quarter.*

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8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the persons responsible for the planning, directing, and controlling of the activities of the Company and include both executives and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the nine months ended December 31, 2020, the Company entered into the following transactions with key management personnel:

	For the nine months ended December 31,	
	2020	2019
	\$	\$
Management fees	363,968	311,775
Exploration and evaluation assets	-	69,655
Professional fees	54,000	54,000
Share-based compensation	152,116	438,359
	570,084	873,789

During the nine months ended December 31, 2020, the Company incurred rent of \$nil (December 31, 2019 - \$7,500) to a company related by a former director and a common officer.

As at December 31, 2020, the Company has \$nil (March 31, 2020 - \$99,165) included in accounts payable and accrued liabilities due to officers, directors, and companies controlled by officers and directors for management fees, professional fees, and reimbursement of expenses.

9. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

December 31, 2020	Canada	USA	Mexico	Total
	\$	\$	\$	\$
Exploration and evaluation assets	-	7,910,430	1,027,630	8,938,060
Right-of-use assets	-	141,587	-	141,587
Other assets	6,725,692	144,542	-	6,870,234
Total assets	6,725,692	8,196,559	1,027,630	15,949,881

March 31, 2020	Canada	USA	Mexico	Total
	\$	\$	\$	\$
Exploration and evaluation assets	-	6,793,538	-	6,793,538
Right-of-use assets	-	74,818	-	74,818
Other assets	2,632,188	235,807	-	2,867,995
Total assets	2,632,188	7,104,163	-	9,736,351

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 financial instruments consist of cash, receivables, lease liabilities, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk

The Company conducts majority of exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates of the Canadian and US dollars. As at December 31, 2020, the Company had a foreign currency net monetary asset position of approximately US\$284,759. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$28,476.

b) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and its receivables are due from the Government of Canada. As such, the Company determined that it is not exposed to significant credit risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments. The Company is not exposed to interest rate risk with its lease liability as it is not subject to floating interest rates.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of copper, zinc and other base metals. The Company monitors these metal prices to determine the appropriate course of action to be taken.

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11. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the exploration of its mineral properties. The Company is an exploration stage company, as such the Company is dependent on external equity financing to fund its activities. In order to pay for administrative costs and exploration expenditures, the Company plans to raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

12. COMMITMENTS

In September 2018, the Company entered into an employment agreement with an officer of the Company to provide management services to the Company for an indefinite term. The agreement requires payment of \$174,000 per annum (\$14,500 per month). Included in the agreement is a provision for a two year payout and the average discretionary bonuses paid in the preceding two years in the event of termination without cause or in the event of a change in control.

In September 2018, the Company entered into two separate management consulting services agreements with a former officer and an officer of the Company to provide management services to the Company for an indefinite term. The agreements require total combined payments of \$147,000 per annum (\$12,250 per month). Included in the agreement is a provision for a one year payout and the average discretionary bonuses paid in the preceding two years in the event of termination without cause or in the event of a change in control.

In April 2019, the Company entered into an employment agreement with an officer of the Company to provide management services to the Company for an indefinite term. The agreement requires payment of \$120,000 per annum (\$10,000 per month). Included in the agreement is a provision for a one month payout for each full year employment, up to a maximum of six months payout, in the event of termination without cause or a six months payout in the event of termination upon change in control.

In November 2020, the Company entered into an employment agreement with an officer of the Company to oversee the advancement of the Company's project portfolio for an indefinite term. The agreement requires a payment of US\$7,167 per month. Included in the agreement is a provision for a two year payout and the average discretionary bonuses paid in the preceding two years in the event of termination following a change in control and a six month payout in the event of termination without cause.

In December 2020, the Company entered into an employment agreement with an officer of the Company to oversee the advancement of the Company's project explorations for an indefinite term. The agreement requires a payment of US\$6,667 per month. Included in the agreement is a provision for a two year payout and the average discretionary bonuses paid in the preceding two years in the event of termination following a change in control and a six month payout in the event of termination without cause.

13. SUBSEQUENT EVENT

In February 2021, the Company granted 457,500 stock options to its directors, officers, employees, and consultants at an exercise price of \$0.47 per share for a period of three years.