BARKSDALE CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(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 CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars – Unaudited)

	December 31, 2019	March 31, 2019
	$	$
ASSETS		
Current		
Cash	3,248,560	3,381,163
Receivables	47,876	36,334
Prepaid expenses	74,228	243,524
	3,370,664	3,661,021
Exploration and evaluation assets (Note 4)	6,587,990	4,886,445
Right-of-use assets (Note 5)	83,932	-
	10,042,586	8,547,466
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 6 and 8)	173,459	270,054
Current portion of lease liabilities (Note 5)	27,346	-
	200,805	270,054
Lease liabilities (Note 5)	49,431	-
	250,236	270,054
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	31,192,825	28,502,641
Reserves (Note 7)	3,580,534	3,370,205
Deficit	(24,981,009)	(23,595,434)
	9,792,350	8,277,412
	10,042,586	8,547,466

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

Approved on behalf of the Board of Directors on February 25, 2020:

"Darren Blasutti" Director *"Glenn Kumoi"* Director

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

BARKSDALE CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars – Unaudited)

	For the three months ended December 31, 2019	2018	For the nine months ended December 31, 2019	2018
	$	$	$	$
Expenses				
Advertising and marketing	22,534	12,957	171,469	52,674
Consulting fees	33,512	15,877	101,560	168,877
Depreciation (Note 5)	9,114	-	15,825	-
Foreign exchange loss	3,269	10,390	12,670	14,316
Insurance	5,908	3,821	16,623	10,271
Interest expense on lease liabilities (Note 5)	1,605	-	3,000	-
Investor relations	16,944	29,123	68,354	86,477
Management fees (Note 8)	104,875	70,750	311,775	194,750
Office and general	27,204	18,632	57,914	37,461
Professional fees (Note 8)	52,438	65,788	161,306	163,608
Property investigation costs (Note 8)	22,218	36,299	39,022	78,754
Rent (Note 8)	13,800	4,500	29,100	13,500
Share-based compensation (Notes 7 and 8)	106,319	57,277	419,633	313,680
Transfer agent and filing fees	12,352	9,479	36,703	27,737
Travel and related	44,264	24,157	68,812	79,392
	(476,356)	(359,050)	(1,513,766)	(1,241,497)
Interest income	16,167	7,180	48,401	20,841
Write off of exploration and evaluation assets	-	(537,845)	-	(1,064,125)
Loss and comprehensive loss for the period	(460,189)	(889,715)	(1,465,365)	(2,284,781)
Basic and diluted loss per share	(0.01)	(0.03)	(0.03)	(0.07)
Weighted average number of common shares outstanding	43,688,043	32,353,259	42,023,423	32,235,024

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

BARKSDALE CAPITAL CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars – Unaudited)

	For the nine months ended December 31, 2019	2018
	$	$
Cash flows used in operating activities		
Loss for the period	(1,465,365)	(2,284,781)
Items not affecting cash		
Depreciation	15,825	-
Write off of exploration and evaluation assets	-	1,064,125
Share-based compensation	419,633	313,680
Foreign exchange loss	14,480	14,316
	(1,015,427)	(892,660)
Changes in non-cash working capital items		
Receivables	(11,542)	1,883
Prepaid expenses	151,651	207,873
Accounts payable and accrued liabilities	(56,960)	(139,745)
	(932,278)	(822,649)
Cash flows used in investing activities		
Exploration and evaluation asset expenditures	(1,117,972)	(1,395,155)
Cash flows from financing activities		
Proceeds from shares issuance	1,847,693	-
Share issuance costs	(42,901)	-
Proceeds from stock options exercised	21,000	-
Proceeds from warrants exercised	99,000	-
Repayment of lease liabilities	(7,145)	-
	1,917,647	-
Net change in cash	(132,603)	(2,217,804)
Cash, beginning of the period	3,381,163	3,197,440
Cash, end of the period	3,248,560	979,636

Non-cash transactions		
Exploration and evaluation assets in accounts payable and accrued liabilities	82,402	262,520
Shares issued for exploration and evaluation assets	635,878	293,270
Reclassification of cancelled stock options	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	99,757	-

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

BARKSDALE CAPITAL 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, 2018	**32,175,583**	**25,077,115**	**2,743,098**	**(20,822,989)**	**6,997,224**
Share issued for exploration and evaluation assets	480,770	293,270	-	-	293,270
Share-based compensation	-	-	313,680	-	313,680
Net loss for the period	-	-	-	(2,284,781)	(2,284,781)
Balance at December 31, 2018	**32,656,353**	**25,370,385**	**3,056,778**	**(23,107,770)**	**5,319,393**
Share issued for cash	5,833,333	3,500,000	-	-	3,500,000
Share issuance costs	-	(367,744)	118,226	-	(249,518)
Share-based compensation	-	-	195,201	-	195,201
Net loss for the period	-	-	-	(487,664)	(487,664)
Balance at March 31, 2019	**38,489,686**	**28,502,641**	**3,370,205**	**(23,595,434)**	**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
Warrants expired	-	21,379	(21,379)	-	-
Net loss for the period	-	-	-	(1,465,365)	(1,465,365)
Balance at December 31, 2019	**43,768,750**	**31,192,825**	**3,580,534**	**(24,981,009)**	**9,792,350**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Barksdale Capital Corp. ("Barksdale" or the "Company"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSXV") and the OTCQB 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 mineral properties. 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, 2019, the Company has accumulated net losses of $24,981,009 since inception and has working capital of $3,169,859. 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 over the next twelve months.

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").

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, 2019 and 2018.

These condensed interim consolidated financial statements for the three and nine months ended December 31, 2019 and 2018 were authorized by the Board of Directors for issuance on February 25, 2020.

2. BASIS OF PRESENTATION (CONTINUED)

a) Statement of Compliance (Continued)

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 years ended March 31, 2019 and 2018, except for the following:

Leases

On April 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The following is the accounting policy for leases as of April 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

2. BASIS OF PRESENTATION (CONTINUED)

a) Statement of Compliance (Continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

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., and IC Exploration (US) Ltd. 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.

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.

2. BASIS OF PRESENTATION (CONTINUED)

d) Use of Estimates and Judgements (Continued)

(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 comprehensive loss.

(Expressed in Canadian Dollars – Unaudited)

4. EXPLORATION AND EVALUATION ASSETS

	Swales	Sunnyside	Four Metals	San Antonio	Total
	$	$	$	$	$
Balance, March 31, 2018	**499,594**	**3,204,778**	**-**	**-**	**3,704,372**
Acquisition and staking costs	-	-	32,278	-	32,278
Exploration expenditures:					
Accommodation and related	-	214,133	-	-	214,133
Claim maintenance fees	26,557	59,408	16,141	-	102,106
Consulting	-	384,914	-	-	384,914
Data analysis	-	8,963	-	-	8,963
Drilling escape payment	537,844	-	-	-	537,844
Geological	-	281,072	-	-	281,072
Geophysics	-	213,267	-	-	213,267
Permitting	-	144,961	-	-	144,961
Sampling and processing	130	291,989	-	-	292,119
Storage	-	6,419	-	-	6,419
Supplies and fuel	-	23,166	-	-	23,166
Truck rental	-	4,956	-	-	4,956
	1,064,125	4,838,026	48,419	-	5,950,570
Write-off of exploration and evaluation assets	(1,064,125)	-	-	-	(1,064,125)
Balance, March 31, 2019	**-**	**4,838,026**	**48,419**	**-**	**4,886,445**
Acquisition and staking costs	-	-	67,107	602,202	669,309
Exploration expenditures:					
Accommodation and related	-	72,452	-	-	72,452
Claim Maintenance fees	-	63,954	8,735	68,667	141,356
Consulting	-	143,907	-	594	144,501
Data analysis	-	52,827	-	-	52,827
Geological	-	116,356	-	-	116,356
Geophysics	-	21,401	-	-	21,401
Permitting	-	428,931	-	-	428,931
Sampling and processing	-	11,945	-	-	11,945
Storage	-	4,420	829	-	5,249
Supplies and fuel	-	29,005	-	-	29,005
Truck rental	-	8,213	-	-	8,213
Balance, December 31, 2019	**-**	**5,791,437**	**125,090**	**671,463**	**6,587,990**

Swales Project

In December 2016, the Company entered into a mining lease agreement (the "Swales Agreement") to lease a 100% right in certain unpatented lode mining claims known as the Swales Project, situated in Elko County, Nevada, U.S., for a primary period of 10 years.

In October 2018, the Company terminated the Swales Agreement. The property was returned to the original vendor and the Company paid a drilling escape payment of $244,574 (US$187,500) in cash as well as issued 480,770 common shares valued at $293,270. As a result, the Company wrote-off the related costs it had incurred resulting in a write-off of $1,064,125 being recognized.

(Expressed in Canadian Dollars – Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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.

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.

(Expressed in Canadian Dollars – Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sunnyside Project (continued)

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;
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 option agreement	(paid) 25,000	-	25,000
April 19, 2019	(paid) 25,000	(issued) 25,000	50,000
April 19, 2020	25,000	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**

(Expressed in Canadian Dollars – Unaudited)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

San Antonio Project

On July 15, 2019, the Company entered into 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.

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

	Office Leases
Cost:	**$**
At March 31, 2019	-
Additions	99,757
At December 31, 2019	99,757
Depreciation:	
At March 31, 2019	-
Charge for the period	15,825
At December 31, 2019	15,825
Net book value:	
At March 31, 2019	-
At December 31, 2019	**83,932**

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	(10,145)
Interest expense on lease liabilities	3,000
Foreign exchange adjustment	1,955
	76,777
Less: current portion	(27,346)
At December 31, 2019	**49,431**

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

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

January 1 to March 31, 2020	9,936
Fiscal 2021	39,743
Fiscal 2022	34,678
Fiscal 2023	7,403

(Expressed in Canadian Dollars – Unaudited)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	March 31, 2019
	$	$
Accounts payable	152,292	128,040
Accrued liabilities	21,167	142,014
	173,459	**270,054**

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, 2019*:*

In November 2018, the Company issued 480,770 common shares in connection to the termination of the Swales Agreement valued at $293,270 (Note 4).

In January 2019, the Company closed a private placement financing of 5,833,333 common shares at a price of $0.60 per share for proceeds of $3,500,000. Finders' fees of $210,000 cash and 350,000 finder's warrants were paid and issued in connection with the private placement financing.

During the nine months ended December 31, 2019*:*

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 as described in 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.

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 nine months ended December 31, 2019, 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.

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.

7. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock Options (Continued)

In April 2018, the Company granted 100,000 stock options to a director of the Company with an exercise price of $0.79 per share for a period of five years vested immediately. The options were valued at $78,741 using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 2.18%, volatility of 261%, and nil forecasted dividend yield.

In July 2018, the Company granted 150,000 stock options to a consultant of the Company at an exercise price of $0.71 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 $107,437, of which $72,392 was recognized during the year ended March 31, 2019 and $24,799 was recognized during the nine months ended December 31, 2019, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 2.19%, volatility of 248%, and nil forecasted dividend yield.

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 and $160,990 was recognized during the nine months ended December 31, 2019, 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.

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 $131,914 was recognized during the nine months ended December 31, 2019, 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 $47,108 was recognized during the nine months ended December 31, 2019, 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.

During the nine months ended December 31, 2019, 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. As a result, the Company transferred $19,948 representing the fair value of the exercised share options from reserves to share capital. In addition, 200,000 stock options were cancelled and as a result, $79,790 was reclassified from reserves to deficit.

(Expressed in Canadian Dollars – Unaudited)

7. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock Options (continued)

A summary of stock options activities is as follows:

	Number of options	Weighted average exercise price
	#	$
Balance, March 31, 2018	**2,600,000**	**0.53**
Granted	1,050,000	0.62
Balance, March 31, 2019	**3,650,000**	**0.55**
Granted	585,000	0.52
Exercised	(50,000)	0.42
Cancelled	(200,000)	0.42
Balance, December 31, 2019	**3,985,000**	**0.56**

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

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.42	1,750,000	1,750,000	October 6, 2022
0.88	600,000	600,000	November 14, 2022
0.79	100,000	100,000	April 19, 2023
0.71	150,000	100,000	July 25, 2023
0.58	800,000	266,667	March 1, 2024
0.52	385,000	128,333	April 26, 2024
0.53	200,000	66,667	September 20, 2024
	3,985,000	3,011,667	

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.

During the nine months ended December 31, 2019, 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. As a result, the Company transferred $88,187 representing the fair value of the exercised warrants from reserves to share capital. In addition, 60,000 warrants expired and as a result, $21,379 was reclassified from reserves to share capital.

(Expressed in Canadian Dollars – Unaudited)

7. SHARE CAPITAL AND RESERVES (CONTINUED)

Warrants (continued)

A summary of warrant activities is as follows:

	Number of warrants	Weighted average exercise price
	#	$
Balance, March 31, 2018	**307,500**	**0.40**
Issued	350,000	0.60
Balance, March 31, 2019	**657,500**	**0.51**
Exercised	(247,500)	0.40
Expired	(60,000)	0.40
Balance, December 31, 2019	**350,000**	**0.60**

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

Exercise Price	Number Outstanding and Exercisable	Expiry Date
$		
0.60	350,000	January 18, 2021

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, 2019, the Company entered into the following transactions with key management personnel:

	For the nine months ended December 31,	
	2019	2018
	$	$
Management fees	**294,727**	189,500
Directors' fees	**17,048**	5,250
Exploration and evaluation assets	**69,655**	63,719
Professional fees	**54,000**	48,000
Property investigation costs	**-**	14,045
Share-based compensation	**438,359**	254,509
	873,789	575,023

During the nine months ended December 31, 2019, the Company incurred rent of $7,500 (December 31, 2018 - $13,500) to a company related by a director and a common officer.

9. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. All non-current assets of the Company are located in the USA.

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, 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 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, 2019, the Company does not have significant net monetary assets and liabilities in US dollars, therefore, the Company has determined that there is very limited currency risk at this time.

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.

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.

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, 2019. The Company is not subject to externally imposed capital requirements.

12. COMMITMENTS

In September 2018, the Company entered into two separate management consulting services agreements with the corporate secretary and an officer of the Company to provide management services to the Company for an indefinite term. The agreements require total combined payments of $174,000 per annum ($14,500 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 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 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.

13. SUBSEQUENT EVENTS

In January 2020, the Company granted 30,000 stock options to an employee 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 on six months from the date of grant, and 1/3 on the twelve months from the date of grant. In addition, 330,000 stock options with a weighted average exercise price of $0.57 were cancelled.