



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED JUNE 30, 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)

	June 30, 2020	March 31, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	1,994,444	2,622,306
Receivables	8,871	12,636
Prepays and deposits	191,049	233,053
	<u>2,194,364</u>	<u>2,867,995</u>
<b>Exploration and evaluation assets</b> (Note 4)	7,276,194	6,793,538
<b>Right-of-use assets</b> (Note 5)	<u>65,704</u>	<u>74,818</u>
	<u>9,536,262</u>	<u>9,736,351</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 6 and 8)	271,999	265,982
Current portion of lease liabilities (Note 5)	35,311	33,309
	<u>307,310</u>	<u>299,291</u>
<b>Lease liabilities</b> (Note 5)	<u>32,552</u>	<u>44,028</u>
	<u>339,862</u>	<u>343,319</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	31,282,926	31,218,325
Reserves (Note 7)	2,046,812	1,975,962
Deficit	<u>(24,133,338)</u>	<u>(23,801,255)</u>
	<u>9,196,400</u>	<u>9,393,032</u>
	<u>9,536,262</u>	<u>9,736,351</u>

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

Approved on behalf of the Board of Directors on August 28, 2020:

"Darren Blasutti"

Director

"Glenn Kumoi"

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	
	June 30,	
	2020	2019
	\$	\$
<b>Expenses</b>		
Advertising and marketing	6,872	87,194
Consulting fees	3,000	39,786
Depreciation (Note 5)	9,114	-
Foreign exchange loss	27,442	4,171
Insurance	5,999	5,174
Interest expense on lease liabilities (Note 5)	1,362	-
Investor relations	2,500	47,912
Management fees (Note 8)	98,875	102,025
Office and general	14,973	11,602
Professional fees (Note 8)	61,323	59,680
Property investigation costs	7,830	16,804
Rent (Note 8)	12,600	4,500
Share-based compensation (Notes 7 and 8)	70,850	171,192
Transfer agent and filing fees	11,592	21,368
Travel and related	1,305	7,821
	(335,637)	(579,229)
Interest income	3,554	13,989
<b>Loss and comprehensive loss for the period</b>	(332,083)	(565,240)
<b>Basic and diluted loss per share</b>	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>	43,889,390	39,258,507

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**BARKSDALE RESOURCES CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF**  
**CASH FLOWS**

(Expressed in Canadian Dollars – Unaudited)

	For the three months ended June 30,	
	2020	2019
	\$	\$
<b>Cash flows used in operating activities</b>		
Loss for the period	(332,083)	(565,240)
Items not affecting cash		
Depreciation	9,114	-
Share-based compensation	70,850	171,192
Interest expense	1,362	-
Foreign exchange loss	(29,788)	4,171
	<u>(280,545)</u>	<u>(389,877)</u>
Changes in non-cash working capital items		
Receivables	3,765	7,300
Prepaid expenses	(4,285)	26,376
Accounts payable and accrued liabilities	22,162	(15,779)
	<u>(258,903)</u>	<u>(371,980)</u>
<b>Cash flows used in investing activities</b>		
Deposits	46,289	-
Exploration and evaluation asset expenditures	(404,650)	(371,220)
Right-of-use assets	-	(7,460)
	<u>(358,361)</u>	<u>(378,680)</u>
<b>Cash flows from financing activities</b>		
Proceeds from shares issuance	-	1,568,506
Proceeds from stock options exercised	-	21,000
Repayment of lease liabilities	(10,598)	-
	<u>(10,598)</u>	<u>1,589,506</u>
<b>Net change in cash</b>	(627,862)	838,846
<b>Cash, beginning of the period</b>	<u>2,622,306</u>	<u>3,381,163</u>
<b>Cash, end of the period</b>	<u>1,994,444</u>	<u>4,220,009</u>
<b>Non-cash transactions</b>		
Exploration and evaluation assets in accounts payable and accrued liabilities	92,246	126,695
Shares issued for exploration and evaluation assets	64,601	33,676
Reclassification of cancelled stock options	-	79,790
Reclassification of exercised stock options	-	19,948
Capitalization of right-of-use assets and lease liabilities	-	73,070
Share issuance costs in accounts payable and accrued liabilities	-	23,800

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 \$
<b>Balance at March 31, 2019</b>	<b>38,489,686</b>	<b>28,528,141</b>	<b>1,808,927</b>	<b>(22,059,656)</b>	<b>8,277,412</b>
Share issued for cash	3,409,795	1,568,506	-	-	1,568,506
Share issued for exploration and evaluation assets	66,032	33,676	-	-	33,676
Share issuance costs	-	(23,800)	-	-	(23,800)
Share-based compensation	-	-	171,192	-	171,192
Stock options cancelled	-	-	(79,790)	79,790	-
Stock options exercised	50,000	40,948	(19,948)	-	21,000
Net loss for the period	-	-	-	(565,240)	(565,240)
<b>Balance at June 30, 2019</b>	<b>42,015,513</b>	<b>30,147,471</b>	<b>1,880,381</b>	<b>(22,545,106)</b>	<b>9,482,746</b>
Share issued for cash	606,928	279,187	-	-	279,187
Share issued for exploration and evaluation assets	898,809	602,202	-	-	602,202
Share issuance costs	-	(19,101)	-	-	(19,101)
Share-based compensation	-	-	388,489	-	388,489
Stock options cancelled	-	-	(183,342)	183,342	-
Warrants exercised	247,500	187,187	(88,187)	-	99,000
Warrants expired	-	21,379	(21,379)	-	-
Net loss for the period	-	-	-	(1,439,491)	(1,439,491)
<b>Balance at March 31, 2020</b>	<b>43,768,750</b>	<b>31,218,325</b>	<b>1,975,962</b>	<b>(23,801,255)</b>	<b>9,393,032</b>
Share issued for exploration and evaluation assets	226,431	64,601	-	-	64,601
Share-based compensation	-	-	70,850	-	70,850
Net loss for the period	-	-	-	(332,083)	(332,083)
<b>Balance at June 30, 2020</b>	<b>43,995,181</b>	<b>31,282,926</b>	<b>2,046,812</b>	<b>(24,133,338)</b>	<b>9,196,400</b>

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 Months Ended June 30, 2020 and 2019**  
(Expressed in Canadian Dollars – Unaudited)

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**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 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 precious and base metal mineral properties in Arizona, USA. 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 June 30, 2020, the Company has accumulated net losses of \$24,133,338 since inception and has working capital of \$1,887,054. 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 Months Ended June 30, 2020 and 2019**  
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**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 months ended June 30, 2020 and 2019 were authorized by the Board of Directors for issuance on August 28, 2020.

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., 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.



**BARKSDALE RESOURCES CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended June 30, 2020 and 2019**  
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**2. BASIS OF PRESENTATION (CONTINUED)**

- d) Use of Estimates and Judgements (continued)
- (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 Months Ended June 30, 2020 and 2019**  
(Expressed in Canadian Dollars – Unaudited)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

b) Leases

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.

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.

c) Recent Accounting Pronouncements

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the three months ended June 30, 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.

**BARKSDALE RESOURCES CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended June 30, 2020 and 2019**  
(Expressed in Canadian Dollars – Unaudited)

**4. EXPLORATION AND EVALUATION ASSETS**

	Sunnyside	Four Metals	San Antonio	Guajolote	Total
	\$	\$	\$	\$	\$
<b>Balance, March 31, 2019</b>	<b>4,838,026</b>	<b>48,419</b>	-	-	<b>4,886,445</b>
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
<b>Balance, March 31, 2020</b>	<b>5,978,600</b>	<b>125,742</b>	<b>689,196</b>	-	<b>6,793,538</b>
Acquisition and staking costs	-	66,139	-	33,095	99,234
<i>Exploration expenditures:</i>					
Accommodation and related	2,011	-	-	-	2,011
Claim maintenance fees	67,097	9,185	72,043	-	148,325
Consulting	38,969	-	6,926	-	45,895
Permitting	178,239	-	7,168	-	185,407
Sampling and processing	1,092	-	-	-	1,092
Storage	-	668	-	-	668
Supplies and fuel	24	-	-	-	24
<b>Balance, June 30, 2020</b>	<b>6,266,032</b>	<b>201,734</b>	<b>775,333</b>	<b>33,095</b>	<b>7,276,194</b>

**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.

**BARKSDALE RESOURCES CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended June 30, 2020 and 2019**  
(Expressed in Canadian Dollars – Unaudited)

**4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

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

Period	Cash \$	Exploration Requirement \$	Number of Shares
<b>To Earn 51% Interest</b>			
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
<b>To Increase Interest to 67.5%</b>			
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
<b>Total</b>	<b>3,500,000</b>	<b>12,000,000</b>	<b>15,000,000</b>

\* 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;
- 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.

**BARKSDALE RESOURCES CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended June 30, 2020 and 2019**  
(Expressed in Canadian Dollars – Unaudited)

**4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**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:

<b>Date</b>	<b>Cash US\$</b>	<b>Value of Shares US\$</b>	<b>Total US\$</b>
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
<b>Total</b>	<b>225,000</b>	<b>225,000</b>	<b>450,000</b>

**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.

**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:

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

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

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**5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Right-of-Use Assets

	<b>Office Leases</b>
	<b>\$</b>
<b>Cost:</b>	
At March 31, 2019	-
Additions	99,757
At March 31, 2020 and June 30, 2020	99,757
<b>Depreciation:</b>	
At March 31, 2019	-
Charge for the year	24,939
At March 31, 2020	24,939
Charge for the period	9,114
At June 30, 2020	34,053
<b>Net book value:</b>	
At March 31, 2020	74,818
<b>At June 30, 2020</b>	<b>65,704</b>

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

Lease Liabilities

	<b>\$</b>
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
<b>At March 31, 2020</b>	<b>77,337</b>
Lease payments made	(10,598)
Interest expense on lease liabilities	1,362
Foreign exchange adjustment	(238)
	67,863
Less: current portion	(35,311)
<b>At June 30, 2020</b>	<b>32,552</b>

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:

	<b>\$</b>
Fiscal 2021	31,276
Fiscal 2022	36,387
Fiscal 2023	7,768

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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2020	March 31, 2020
	\$	\$
Accounts payable	79,031	124,123
Accrued liabilities	152,968	141,859
Government assistance	40,000	-
	<b>271,999</b>	<b>265,982</b>

**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.

During the three months ended June 30, 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).

**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.

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**7. SHARE CAPITAL AND RESERVES (CONTINUED)**

**Stock Options (Continued)**

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 \$17,107 was recognized during the three months ended June 30, 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.

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 \$12,763 was recognized during the three months ended June 30, 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 \$12,394 was recognized during the three months ended June 30, 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 on six months from the date of grant, and 1/3 on the 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 \$1,453 was recognized during the three months ended June 30, 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 on six months from the date of grant, and 1/3 on the 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 \$27,133 was recognized during the three months ended June 30, 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.

A summary of stock options activities is as follows:

	Number of options	Weighted average exercise price
	#	\$
<b>Balance, March 31, 2019</b>	<b>3,650,000</b>	<b>0.55</b>
Granted	1,236,528	0.44
Exercised	(50,000)	0.42
Cancelled	(530,000)	0.51
<b>Balance, March 31 and June 30, 2020</b>	<b>4,306,528</b>	<b>0.53</b>



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**7. SHARE CAPITAL AND RESERVES (CONTINUED)**

**Stock Options (continued)**

A summary of the stock options outstanding and exercisable at June 30, 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	10,000	January 28, 2023
0.365	621,528	207,176	February 26, 2023
0.79	100,000	100,000	April 19, 2023
0.58	770,000	513,333	March 1, 2024
0.52	385,000	256,667	April 26, 2024
0.53	200,000	66,667	September 20, 2024
	4,306,528	3,353,843	

**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.

A summary of warrant activities is as follows:

	Number of warrants	Weighted average exercise price
	#	\$
<b>Balance, March 31, 2019</b>	<b>657,500</b>	<b>0.51</b>
Exercised	(247,500)	0.40
Expired	(60,000)	0.40
<b>Balance, March 31 and June 30, 2020</b>	<b>350,000</b>	<b>0.60</b>

A summary of the warrants outstanding and exercisable at June 30, 2020 is as follows:

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

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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 three months ended June 30, 2020, the Company entered into the following transactions with key management personnel:

	For the three months ended June 30,	
	2020	2019
	\$	\$
Management fees	98,875	102,025
Professional fees	18,000	18,000
Share-based compensation	64,349	159,538
	181,224	279,563

During the three months ended June 30, 2020, the Company incurred rent of \$nil (June 30, 2019 - \$4,500) to a company related by a director and a common officer.

As at June 30, 2020, the Company has \$65,060 (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. 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, 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.

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

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 June 30, 2020, the Company had a foreign currency net monetary asset position of approximately US\$420,500. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$42,050.

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.

**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 three months ended June 30, 2020. The Company is not subject to externally imposed capital requirements.

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**12. COMMITMENTS**

In September 2018, the Company entered into two separate management consulting services agreements with two officers 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**

- a) In August 2020, the Company entered into a binding letter of intent to acquire a 100% interest in the San Javier copper-gold project from Tusk Exploration Ltd. 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	50,000	4,000,000
On or before the first anniversary of option agreement	100,000	2,000,000
On or before the earlier of (a) the third anniversary of the option agreement and (b) the completion of a “pre-feasibility study” on the Property	150,000	3,000,000
On or before the earlier of (a) the sixth anniversary of the option agreement and (b) the date Barksdale enters into definitive documentation for financing the construction of a mine on the Property	200,000	4,000,000
<b>Total</b>	<b>500,000</b>	<b>13,000,000</b>

Upon exercise of the option, the Company will also provide an NSR 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.