
Red Pine Exploration Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the Three-Month and Six-Month Period Ended January 31, 2020 and 2019

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Interim Financial Statements

As per National Instrument 51-102 *Continuous Disclosure Obligations* Part 4.3 *Disclosure of Auditor Review*, the auditors of Red Pine Exploration Inc. have not performed a review of these condensed interim consolidated financial statements.

Red Pine Exploration Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	January 31, 2020	July 31, 2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,897,161	\$ 695,996
Market Securities	2,500	2,500
Amount Receivable	64,609	803,559
Lease Receivable (note 4)	100,561	-
Prepaid Expenses	86,023	89,310
Total Current Assets	3,150,854	1,591,365
Equipment (note 3)	8,303	60,832
Perpetual Software Licenses (note 3)	16,179	18,204
Long Term Lease Receivable (note 4)	319,645	-
Leasehold Improvements (note 3)	81,503	86,297
Long Term Rent Deposits (note 9)	41,579	41,579
Total Assets	\$ 3,618,063	\$ 1,798,277
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 434,410	\$ 354,499
Lease liability (note 4)	92,342	-
Flow-Through Provision (note 7)	110,876	110,876
Total Current Liabilities	637,628	465,375
Rental Deposit (note 9)	17,281	17,281
Long Term Lease Liability (note 4)	293,522	-
Total Liabilities	948,431	482,656
Shareholders' Equity		
Share Capital (note 8)	58,730,329	55,258,221
Contributed Surplus	8,043,575	8,043,575
Warrant Reserve (note 8)	3,290,552	3,305,945
Accumulated Deficit	(67,394,824)	(65,292,120)
Total Shareholder's Equity	2,669,632	1,315,621
Total Liabilities and Shareholders' Equity	3,618,063	1,798,277

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Nature of Operations and Going Concern *(note 1)*
Commitments and Contingencies *(note 9)*

Red Pine Exploration Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Three-month period ended January 31, 2020	Three-month period ended January 31, 2019	Six-month period ended January 31, 2020	Six-month period ended January 31, 2019
Expenses				
Exploration Expenditures (note 5)	\$ 546,292	\$ 1,433,673	\$ 1,558,466	\$ 2,916,085
General and Administrative	13,383	213,761	126,497	335,081
Payroll & Professional Fees	301,471	162,000	394,839	288,888
Depreciation and Amortization	39,300	27,950	59,348	55,899
Share based compensation	-	-	-	156,306
Interest Income	(106)	(581)	(2,104)	(983)
Lease accretion (gain) (note 4)	-	-	(34,342)	-
Deferred Premium	-	(133,421)	-	(225,344)
Foreign Exchange Loss (Gain)	-	(240)	-	(240)
Recovery of Exploration Expenditures (note 5)	-	(341,172)	-	(1,010,898)
Total Expense	900,340	1,361,970	2,102,704	2,514,794
Loss and Comprehensive Loss for Period	(900,340)	(1,361,970)	(2,102,704)	(2,514,794)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding	405,618,953	328,380,655	387,424,638	268,072,245

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

Red Pine Exploration Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Six-Month Period Ended January 31, 2020	Six Month Period Ended January 31 2019
Operating Activities		
Loss for the Period	\$ (2,102,704)	\$ (2,514,794)
Adjustment for non-cash items:		
Amortization of lease inducements	-	(7,961)
Amortization and depreciation	59,348	55,899
Amortization included in exploration expenditures	-	4,050
Lease accretion gain	(34,342)	-
Recognition of deferred premium	-	(225,344)
Stock-based compensation	-	156,306
Change in working capital items:		
Amount receivable	738,951	(479,038)
Amount receivable from joint-venture partners	-	97,488
Prepaid expenses	3,287	(13,527)
Accounts payable and accrued liabilities	79,911	445,333
Net cash used in operating activities	(1,255,550)	(2,481,588)
Net cash provided by investing activities	-	-
Financing Activities		
Proceeds from private placements	3,779,722	3,691,500
Proceeds from warrant and option exercise	-	4,200
Share issue costs	(323,007)	(100,132)
Net cash provided by financing activities	3,456,715	3,595,568
Cash and Cash Equivalents		
Net increase (decrease) in cash and cash equivalents	2,201,165	1,113,980
Cash and cash equivalents - beginning of period	695,996	1,943,300
Cash and cash equivalents - end of period	2,897,161	\$ 3,057,280
Supplemental Disclosures:		
Interest received as cash	2,104	983

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Red Pine Exploration Inc.
Condensed Interim Consolidated Statements of Changes in Shareholder's Equity (Deficiency)
(Expressed in Canadian Dollars)

	Shares #	Share Capital \$	Contributed Surplus \$	Warrant Reserve \$	Accumulated Deficit \$	Shareholder's Equity \$
Balance – July 31, 2019	369,230,323	55,258,221	8,043,575	3,305,945	(65,292,120)	1,315,621
Loss for the period	-	-	-	-	(2,102,704)	(2,102,704)
Other comprehensive income						
Total comprehensive income	-	-	-	-	(2,102,704)	(2,102,704)
Fair Value of Warrants Expired	-	15,393	-	(15,393)	-	-
Private Placement	107,992,064	3,779,722	-	-	-	3,779,722.24
Fair Value of Warrants Issued	-	(4,793,597)	-	4,793,597	-	-
Balance – January 31, 2020	477,222,387	53,936,732	8,043,575	8,084,149	(67,394,824)	2,669,632
Balance – July 31, 2018	294,209,655	46,361,624	7,658,688	8,834,875	(60,312,074)	2,543,113
Loss for the Period					(2,514,794)	(2,514,794)
Other comprehensive income						
Total comprehensive income					(2,514,794)	(2,514,794)
Warrants Exercised	84,000	4,200	-	-	-	4,200
Fair Value of Warrants Exercised	-	4,166	-	(4,166)	-	-
Fair Value of Warrants Expired	-	943,708	-	(943,708)	-	-
Share-Based Compensation	-	-	156,306	-	-	156,306
Private Placement	73,830,000	3,691,500	-	-	-	3,691,500
Fair Value of Warrants Issued	-	(496,392)	-	496,392	-	-
Fair Value of Flow-Through Premium	-	(277,900)	-	-	-	(277,900)
Cost of Issue	-	(100,132)	-	-	-	(100,132)
Fair Value of Finder fee Options	-	(23,493)	23,493	-	-	-
Balance – January 31, 2019	368,123,655	50,107,281	7,838,487	8,383,393	(62,826,868)	3,502,293

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Red Pine Exploration Inc.
Notes to Condensed Interim Consolidated financial statements
For the Six-month periods ended January 31, 2020 and 2019

1. Nature of Operations and Going Concern

Red Pine Exploration Inc. (the "Company" or "Red Pine") was founded in 1936 under the laws of Ontario, Canada for the acquisition, exploration, and development of mining properties. The Company's head office and primary location of its registered records is 145 Wellington Street West, Suite 1001, Toronto, Ontario, M5J 1H8. The Company is currently in the exploration stage and has not commenced any commercial operations.

The accompanying Condensed Interim Consolidated Financial Statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

As at January 31, 2020, the Company had a working capital surplus of \$2,513,226 (January 31, 2019: surplus \$3,256,206) and an accumulated deficit of \$67,394,824 (January 31, 2019: \$ 62,826,868).

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The Company is currently in the exploration stage and has not commenced commercial operations. These conditions cast significant doubt about the Company's ability to continue as a going concern.

These Condensed Interim Consolidated Financial Statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying Condensed Interim Consolidated Financial Statements.

Red Pine Exploration Inc.
Notes to Condensed Interim Consolidated financial statements
For the Six-month periods ended January 31, 2020 and 2019

2. Significant Accounting Policies

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance and comply with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) using accounting principles consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore, the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

The condensed interim consolidated financial statements were approved by the Board of Directors on December 18, 2019.

(b) Basis of presentation

These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended July 31, 2019.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Augustine Ventures Inc. All intercompany balances and transactions have been eliminated.

(d) Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period.

Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the consolidated financial statements relate to the following:

Going concern

The preparation of the condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company.

Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 11.

Red Pine Exploration Inc.
Notes to Condensed Interim Consolidated financial statements
For the Six-month periods ended January 31, 2020 and 2019

Deferred Flow-Through Premium and Flow-Through Provision Estimates

The assumptions and calculations used for estimating the value attributed to the flow-through premiums on flow-through financings and flow-through provisions as disclosed in Notes 8 and 9.

New Accounting Pronouncement - IFRS 16 (leases)

On August 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), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company’s estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount.

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

Lease liability, right of use assets

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 Corporation 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.

Red Pine Exploration Inc.
Notes to Condensed Interim Consolidated financial statements
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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.

Subleases

When the Company enters into sublease arrangements as an intermediate lessor, it determines whether the sublease is a finance sublease or operating sublease by reference to the right-of-use assets arising from the head lease. A sublease is a finance sublease if substantially all the risk and reward of the related head lease right-of-use asset have been transferred to the sub-lessee. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

For finance sublease, the Company derecognizes the corresponding right-of-use assets and records net investments in the finance sublease and corresponding interest income is recognized in net finance costs. The net investment in the sublease is recognized in lease receivables.

3. Equipment, Software and Leasehold Improvements

The following table sets out the changes to the carrying value of vehicular, exploration and office equipment:

	Vehicle Equipment	Exploration Equipment	Office Equipment	All Equipment
Balance July 31, 2018	67,743	65,727	16,490	149,960
Acquisitions	-	-	-	-
Depreciation	(20,508)	(24,316)	(1,488)	(46,312)
Balance January 31, 2019	47,235	41,411	15,002	103,648
Balance July 31, 2019	26,729	20,592	13,511	60,832
Acquisition	-	-	-	-
Depreciation	(26,729)	(20,592)	(5,208)	(52,529)
Balance January 31, 2020	-	-	8,303	8,303

The following table sets out the changes to the carrying value of software licenses and leasehold improvements:

	Software Licenses	Leasehold Improvements
Balance July 31, 2018	26,304	105,474
Amortization	(4,050)	(9,588)
Balance January 31, 2019	22,254	95,886
Balance July 31, 2019	18,204	86,297
Amortization	(2,025)	(4,794)
Balance January 31, 2020	16,179	81,503

Red Pine Exploration Inc.
Notes to Condensed Interim Consolidated financial statements
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4. Leases

	January 31, 2020	January 31, 2019
	\$	\$
Lease receivable		
Total	420,206	-
Current	(100,561)	-
Long term	319,645	-
Lease liability		
Total	385,864	-
Current	(92,342)	-
Long term	293,522	-

As at January 31, 2020, there are no lease receivables or liabilities outstanding.

a) The IFRS 16 opening balance sheet adjustment related to sublease receivables was \$420,206 as at August 1, 2019.

b) On adoption of IFRS 16, the Corporation has recognized a lease liability in relation to an office lease arrangement. The IFRS 16 opening balance sheet adjustment related to lease liability was \$385,864.16 as at August 1, 2019.

c) As the sublease agreement is part of the shared services agreement and is for greater than 90% of the floor space, no right of use assets was recognized from the result of the lease and sublease agreement. Upon recognition of both discounted balances of lease liability and lease receivables, the difference between the initial recognized value was recorded as a gain of \$34,342.

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Notes to Condensed Interim Consolidated financial statements
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5. Mineral Properties

The Company has ownership interests in the several exploration projects. The Wawa Gold Project is the primary focus of exploration.

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its mineral properties. The Wawa Gold property expenditures includes all amounts incurred by the joint-venture prior to any prorated recovery from the joint-venture partners.

	Wawa Gold Property \$	Cayenne Property \$	Other Properties \$	Total Properties \$
Balance July 31, 2018	35,558,433	6,137,686	8,482,174	50,178,293
Property Acquisition Costs	-	-	-	-
Exploration Expenditures	2,916,085	-	-	2,916,085
Balance January 31, 2019	38,474,518	6,137,686	8,482,174	53,094,378
Property Acquisition Costs	-	-	-	-
Exploration Costs	1,558,466	-	-	1,558,466
Balance – January 31, 2020	40,032,984	6,137,686	8,482,174	54,652,844

During the six-month period ended January 31, 2020:

- a) The Company incurred total acquisition, exploration and evaluation expenditures of \$1,558,466 on the Wawa Gold property for the six month period ended January 31, 2020 (2019: \$2,916,085).
- b) During the period ended January 31, 2020, the Company’s joint venture partner on the Wawa Gold Project, Citibar L.P. (“Citibar”) did not participate in its share of contributions. Citibar’s participating interest in the project will be decreased proportionately based on a predetermined formula for its non-participation in its share of contributions down to a minimum of 25% at which point further provisions are triggered to account for their non-contribution.

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Wawa Gold Project

As at January 31, 2020 the Wawa Gold property consisted of 34 unpatented and mining claims and 164 patented and leased mining claims totaling 5,582 contiguous hectares and hosts several past producing mines. The project area is located approximately 2 kilometres east of the Town of Wawa in northern Ontario.

On August 7, 2015, the Company met the conditions to earn its initial 30% interest in the underlying joint venture (the "Wawa Gold JV"), which was owned 30% by Augustine and 40% by Citabar, whereby the Company became the operating manager of the JV. In the fall of 2015, all 34 unpatented mining claims were transferred to a 30/30/40 shared holding to reflect the satisfied earn in agreement. As operating manager:

- a) The Company is entitled to receive project management fees from the JV partners.
- b) The Company shall be reimbursed periodically by the JV partners on a pro rata basis for all exploration expenditures incurred for the benefit of the joint-venture, which are recognized as a reduction of exploration expenditures when invoiced to the JV partners.

On February 3, 2017, the Company completed a plan of arrangement whereby Augustine became a wholly-owned subsidiary resulting in an increase in the ownership to 60% of the Wawa Gold Property.

Cayenne Property

The Cayenne property consisted of 2 unpatented claims (2 claim units) and 1 lease (62.67 ha) in Genoa Township located approximately 110 kilometers southwest of Timmins, Ontario. The Company owns 100% of the property.

Algoma-Talisman Property

The Company has a 100% interest in an Ministry of Natural Resources Ontario patented land package covering approximately 65 square kilometers of fee simple patented mineral rights in Coppell and Newton Townships of the Porcupine Mining Division of Northern Ontario located approximately 110 km southwest of Timmins, Ontario.

Mortimer Property

The Company has a 100% interest in a block of 12 contiguous unpatented mining claims covering approximately 2.3 square kilometers in the Dore Township approximately 110 km southwest of Timmins, Ontario. The previous owners retain NSRs ranging between 0.2% and 2% on certain claims and the Company has the option to purchase a portion of these NSRs for various cash payments as specified in the original purchase agreements.

Mount Logano Property

The Company held a 100% interest in 1 unpatented mining claim (3 claim units) located approximately 11 km east of the Dome mine in Timmins, Ontario. The claim is subject to a 3% NSR for gold and a 2% NSR for other minerals mined in the Mt. Logano Property. The Company has the right at any time to buy back 50% of the NSR (or 1.50% NSR for gold and 1.00% NSR for all other minerals) for the sum of \$3,000,000.

Moffatt Property

The Company has a 100% interest in 4 unpatented mining claims covering 704 hectares located approximately 10 km northwest of Atikokan, Ontario.

Net Smelter Royalties

The Company retains a 1.5% Net Smelter Return ("NSR") on approximately 75 square kilometers of claims 20 km east of Goldcorp's Borden Gold project near Chapleau, Ontario. The underlying property package was sold to Probe Mines Ltd. in November 2012.

Red Pine Exploration Inc.
Notes to Condensed Interim Consolidated financial statements
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6. Related Party Transactions and Balances

Related parties as defined by IAS 24 *Related Party Disclosures* include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company.

	Six months ended January 31,	
	2020	2019
	\$	\$
Short-term benefits (1)	133,725	163,375
Share-based payments(2)	-	112,609
Total	133,725	275,984

(1) Includes salary and professional fees.

(2) Represents the expense of stock options vested during the period

As of January 31, 2020, the following related party balances were outstanding:

Included in Amounts Payable is an amount of \$174,789 (January 31, 2019, Amount Receivable: \$303,555) related to exploration, rent and general & administrative charges from companies under common management. The Companies share the services of certain senior officers along with other administrative services including office rental.

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7. Provision for Flow-Through Shares

During the year ended July 31, 2015, the Company recorded a contingent provision of \$200,000 to recognize the obligation to flow-through subscribers of the 2011 series, which was calculated using a 35% combined rate applied against the estimated CEE shortfall.

Based on the results of a CRA audit completed in March 2016 of qualified CEEs incurred during the years ended December 31, 2011 and 2012, it was determined there was a shortfall of \$227,592 and \$526,743 for the 2011 and 2012 F/T series, respectively. As a result, the total provisions for the obligations to flow-through subscribers were increased by \$64,000 during the year ended July 31, 2016.

The following table sets out the changes to the provision for the obligation to flow-through subscribers:

Financing Series	2010 F/T Series with CEE Commitments to the Calendar Year Ending December 31, 2011 \$	2011 F/T Series with CEE Commitments to the Calendar Year Ending December 31, 2012 \$	Total Provision
Balance – July 31, 2017	79,500	184,500	264,000
Settlements	(37,071)	(116,053)	(153,124)
Balance –April 30, 2018, July 31, 2018, April 30, 2019	42,429	68,447	110,876

During the six-month period ended January 31, 2020, \$nil settlements occurred. The following settlement transactions occurred during the nine-month period ended April 30, 2018:

- During the period, the Company completed settlement transactions whereby the Company agreed to settle certain obligations (the “Debt”) to subscribers of its flow-through shares for financings that were completed in 2010 and 2011 through cash settlements. Pursuant to the settlement transactions, the Company paid \$137,041 in cash to settle total indebtedness of \$137,041.
- On October 23, 2017, the Company completed a shares-for-debt transaction whereby the Company agreed to settle certain obligations (the “Debt”) to subscribers of its flow-through shares for financings that were completed in 2010 and 2011 through the issuance of common shares of the Company (the “Common Shares”). Pursuant to the settlement transaction, the Company issued a total of 146,209 common shares (the “Shares”) at a deemed price of \$0.11 per Share to settle total indebtedness of \$16,083.

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8. Share Capital

a) Common Shares

The authorized share capital consists of an unlimited number of common shares. The common shares have no par value. As at October 31, 2019 the Company had 369,230,322 issued and outstanding common shares (July 31, 2019: 369,230,322). All issued and outstanding common shares are fully paid.

(b) Stock Options

The Company has a stock option plan (the “Plan”) pursuant to which the Company’s Board of Directors may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option is fixed by the Board of Directors on the date of grant, in accordance with applicable stock exchange or other regulatory requirements, if applicable. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

All outstanding stock options vested immediately.

The following is a continuity schedule of stock options outstanding as at January 31, 2020 and January 31, 2019:

Expiry Date	Exercise Price	Outstanding January 31, 2019	Granted	Exercised	Expired or Cancelled	Outstanding January 31, 2020
December 18, 2018	\$ 0.500	490,000	-	-	(490,000)	-
February 25, 2020	\$ 0.500	1,080,000	-	-	-	1,080,000
August 27, 2020	\$ 0.055	1,875,000	-	-	-	1,875,000
April 5, 2021	\$ 0.080	450,000	-	-	(300,000)	150,000
April 6, 2022	\$ 0.120	2,725,000	-	-	(250,000)	2,475,000
April 11, 2022	\$ 0.120	3,420,000	-	-	-	3,420,000
February 9, 2021	\$ 0.070	300,000	-	-	-	300,000
August 10, 2023	\$ 0.060	-	2,650,000	-	-	2,650,000
June 20, 2022	\$ 0.060	-	6,312,500	-	-	6,312,500
Total	\$ 0.11	10,340,000	8,962,500	-	1,040,000	18,262,500

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8. Share Capital (Continued)

The following is a continuity schedule for the warrants outstanding as at January 31, 2020

Expiry Date	Exercise Price	Issued	Exercised	Expired or Cancelled	Outstanding January 31, 2020	Fair Value January 31, 2020
February 24, 2020	\$ 0.170	21,168,666	-	-	21,168,666	\$ 908,531
April 7, 2020	\$ 0.072	198,429	-	-	198,429	\$ 26,318
May 3, 2020	\$ 0.072	6,080	-	-	6,080	\$ 808
December 29,2020	\$ 0.150	12,360,000	-	-	12,360,000	\$ 891,156
December 29,2020	\$ 0.105	1,014,000	-	-	1,014,000	\$ 77,020
April 6, 2020	\$ 0.095	736,842	-	-	736,842	\$37,165
April 6, 2020	\$ 0.150	10,526,316	-	-	10,526,316	\$ 489,955
December 19, 2020	\$ 0.075	2,380,000	-	-	2,380,000	\$ 45,843
December 20, 2020	\$ 0.075	6,170,000	-	-	6,170,000	\$ 124,050
December 21, 2020	\$ 0.075	5,200,000	-	-	5,200,000	\$104,547
December 28, 2020	\$ 0.075	4,940,000	-	-	4,940,000	\$ 70,861
February 11, 2021	\$ 0.075	500,000	-	-	500,000	\$ 10,796
December 12, 2020	\$0.050	105,000	-	-	105,000	\$ 1,942
December 12, 2020	\$0.050	910,000	-	-	910,000	\$ 16,835
December 19, 2020	\$0.050	7,000	-	-	7,000	\$181
December 19, 2020	\$0.050	32,200	-	-	32,200	\$ 834
December 7, 2020	\$0.050	163,800	-	-	163,800	\$3,030
December 12, 2020	\$0.050	70,000	-	-	70,000	\$ 1,295
December 31, 2021	\$0.050	101,525,162	-	-	101,525,162	\$ 4,793,597
Total	\$0.13	171,813,495	(190,667)	(56,061,135)	171,813,495	\$ 8,084,149

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9. Commitments and Contingencies

(a) Lease and Sublease Commitments

The Company has an office space lease agreement located at 141 Adelaide Street West from August 15, 2014 to August 14, 2019 and signed a sublease agreement with a third-party tenant whereby the Company shall receive sublease payments for the period from March 1, 2015 to March 30, 2020. The sublease payments are recognized as a reduction of General and Administrative expenses on the Statements of Loss and Comprehensive Loss. A security deposit totalling \$17,281 was received from the subtenant and is reported as a long-term liability on the Consolidated Statements of Financial Position. As of April 30, 2019, the Company was committed to annual lease payments for 141 Adelaide Street West of approximately \$223,020 and expects to receive annual sublease payments of \$223,020.

On December 12, 2016, the Company signed an office space lease agreement for office space located at 145 Wellington Street West for seven (7) years from January 1, 2017 to December 31, 2023. On September 15, 2016, a security deposit totaling \$41,579 was remitted to the landlord, which is reported as a long-term asset on the Consolidated Statements of Financial Position. As of January 31, 2020, the Company was committed to annual lease payments for 145 Wellington Street West of approximately \$104,544.

(b) Flow through shares

As at December 31, 2020, the Company committed to incur, on a best efforts basis, \$906,250 in qualifying resource expenditures pursuant to a private placement for which flow-through proceeds have been received. The Company filed its renunciation forms in December 2019. As at January 31, 2020, the Company had incurred qualifying resource expenditures of \$250,468. The Company must incur the \$655,782 balance of qualifying resource expenditures before December 31, 2020.

If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

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10. Capital Management

As at January 31, 2020, the Company had a working capital surplus of \$2,513,226 (January 31, 2019: surplus \$3,256,206) and an accumulated deficit of \$67,394,824 (January 31, 2019: \$ 62,826,868).

There were no changes in the Company's approach to capital management during the six-month period ended January 31, 2020.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity. The Company expects to improve the working capital position by securing additional financing.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and adjusts in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company's capital structure may involve the issuance of new shares, assumption of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending commitments.

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11. Financial Instrument Risk Factors

The following disclosures are to enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting year:

a) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's accounts receivable are sales tax receivables with negligible counterparty default risk.

b) Liquidity risk

The Company's liquidity risk is the risk that the Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk through a budgeting process that ensures sufficient funds are available as contractual cash flows become due.

As at January 31, 2020, the Company had a cash and cash equivalents balance of \$2,897,116 (July 31, 2019: \$695,996) to settle current liabilities of \$637,628 (July 31, 2019: \$465,375). The Company is currently undergoing an equity financing to eliminate its exposure to liquidity risk.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

c) Market risks

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit and loss. This includes:

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.
- Commodity price risks, particularly with respect to gold, is the sensitivity of the fair value of, or of the future cash flows, from mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets. The Company does not have any mineral assets at the development or production stage carried at historical cost. The Company has expensed the acquisition and exploration costs of its exploration stage mineral assets.
- Marketable securities risk, is the sensitivity of the fair value of marketable securities to supply and demand for marketable securities. The Company manages this risk by continually monitoring the market pricing and trends of its portfolio of securities to determine the appropriate timing to complete any acquisitions or dispositions. The Company has determined the marketable securities risk at year-end is minimal.
- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.