



Condensed Consolidated Financial Statements

(unaudited – prepared by management)

(expressed in Canadian dollars)

For the Nine Months Ended December 31, 2019 and 2018

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim 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 consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Vancouver, B.C.
March 2, 2020

SURGE COPPER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(unaudited – expressed in Canadian dollars)

	Note	As at December 31, 2019	As at March 31, 2019
ASSETS			
Current			
Cash and cash equivalents		\$ 1,782	\$ 8,094
GST receivable		2,528	2,250
Other receivable	6	154,522	160,341
Prepaid expenses		20,451	18,576
Total Current Assets		179,283	189,261
Exploration and evaluation costs	5, 6	21,931,075	21,923,487
Right-of-use asset	8	76,679	-
Equipment and camp buildings	7	22,039	27,790
Total Non-Current Assets		22,029,793	21,951,277
Total Assets		\$ 22,209,076	\$ 22,140,538
LIABILITIES			
Current			
Trade and other payables	9	\$ 100,324	\$ 60,381
Current portion of lease liability	9	16,152	-
Total Current Liabilities		116,476	60,381
Lease obligation liability		68,735	-
Deferred income tax liability		282,000	282,000
Total Non-Current Liabilities		350,735	282,000
Total Liabilities		467,211	342,381
SHAREHOLDERS' EQUITY			
Share capital	11	35,649,889	35,526,693
Contributed surplus	11	4,649,100	4,649,100
Deficit		(18,557,124)	(18,377,636)
Total Shareholders' Equity		21,741,865	21,798,157
Total Liabilities and Shareholders' Equity		\$ 22,209,076	\$ 22,140,538

Signed on behalf of the Board by:

<u>"Shane Ebert"</u>	Director
<u>"Jim Pettit"</u>	Director

See accompanying notes to the condensed consolidated interim financial statements.

SURGE COPPER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(unaudited - expressed in Canadian dollars)

	For the three months ended December 31,		For the nine months ended December 31,	
	2019	2018	2019	2018
EXPENSES				
Amortization	\$ 12,871	\$ 2,343	\$ 38,613	\$ 9,344
Investor relations	3,235	23,995	11,191	58,992
Management and personnel (Note 9)	22,888	34,387	77,663	112,630
Office	6,967	8,837	26,917	33,691
Professional fees	3,000	3,337	10,907	19,656
Rent	-	8,636	-	25,484
Share based payments (Note 9)	-	-	-	16,582
Transfer agent and filing fees	906	4,518	13,294	16,647
Travel	152	4,030	4,656	7,455
	(50,019)	(90,083)	(183,241)	(300,481)
OTHER INCOME (EXPENSE):				
Interest expense	(1,232)	-	(3,796)	-
Miscellaneous income	-	-	6,284	-
Rental income	3,600	-	10,800	-
LOSS BEFORE INCOME TAXES	(47,651)	(90,083)	(169,953)	(300,481)
INCOME TAXES	-	-	-	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (47,651)	\$ (90,083)	\$ (169,953)	\$ (300,481)
LOSS PER SHARE - BASIC	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
LOSS PER SHARE - DILUTED	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	59,268,544	57,679,373	59,268,544	56,684,852

See accompanying notes to the condensed consolidated interim financial statements.

SURGE COPPER CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(unaudited - expressed in Canadian dollars)

	For the nine months ended December 31,	
	2019	2018
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	\$ (169,953)	\$ (300,481)
Items not affecting cash:		
Share based payments	-	16,582
Amortization	38,613	9,344
	(131,340)	(274,555)
Changes in non-cash working capital items:		
Taxes recoverable	(278)	(28,526)
Other receivable	5,819	3,780
Prepaid expenses	(1,875)	(31,875)
Trade and other payables	39,943	(111,398)
Current portion of lease liability	(34,189)	-
Cash used in operating activities	(121,920)	(442,574)
INVESTING ACTIVITIES		
Investment in exploration and evaluation assets	(7,588)	(554,569)
Cash used in investing activities	(7,588)	(554,569)
FINANCING ACTIVITIES		
Proceeds from share issuance	124,550	278,000
Share issue costs	(1,354)	(2,890)
Cash provided by financing activities	123,196	275,110
NET INCREASE (DECREASE) IN CASH	(6,312)	(722,033)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD	8,094	751,357
CASH AND CASH EQUIVALENTS - END OF THE PERIOD	\$ 1,782	\$ 29,324

See accompanying notes to the condensed consolidated interim financial statements.

SURGE COPPER CORP.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(expressed in Canadian dollars)

For the Nine Months Ended December 31, 2019 and 2018

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total Equity
Balance, April 1, 2019	57,679,373	\$ 35,526,693	\$ 4,649,100	\$ (18,377,636)	\$ 21,798,157
Issued for cash – non-flow through shares	1,779,286	124,550	-	-	124,550
Share issue costs	-	(1,354)	-	-	(1,354)
Adjustment-implementation of IFRS 16	-	-	-	(9,535)	(9,535)
Net loss and comprehensive loss for the period	-	-	-	(169,953)	(169,953)
Balance, December 31, 2019	59,458,659	\$ 35,649,889	\$ 4,649,100	\$ (18,557,124)	\$ 21,741,865
Balance, April 1, 2018	54,979,373	\$ 35,252,333	\$ 4,632,518	\$ (17,988,543)	\$ 21,896,308
Issued for cash – non-flow through shares	2,700,000	278,000	-	-	278,000
Stock based compensation	-	-	16,582	-	16,582
Share issue costs	-	(2,890)	-	-	(2,890)
Net loss and comprehensive loss for the period	-	-	-	(300,481)	(300,481)
Balance, December 31, 2018	57,679,373	\$ 35,527,443	\$ 4,649,100	\$ (18,289,024)	\$ 21,887,519

See accompanying notes to consolidated financial statements

SURGE COPPER CORP.

Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

1. CORPORATE INFORMATION

The Company is engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the mineral properties and the discovery, development and sale of ore reserves.

The Company was incorporated under the Business Corporations Act of British Columbia by Certificate of Incorporation dated November 29, 1965. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol GRV-V, as a Tier 2 mining issuer.

The address of the Company's corporate office and principal place of business is Suite 888 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1G5.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The condensed unaudited consolidated interim financial statements of the Company for the nine months ending December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements have been prepared in full compliance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Accordingly, these unaudited condensed consolidated interim financial statements follow the same accounting principles and methods of application as the audited annual consolidated financial statements for the year ended March 31, 2019 but may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS. These financial statements should therefore be read in conjunction with the audited annual consolidated financial statements for the year ended March 31, 2019. Results for the period ended December 31, 2019, are not necessarily indicative of future results. These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 2, 2020.

(b) Basis of Presentation and Measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis and include the accounts of the Company and its wholly-owned subsidiary, Ootsa Ventures Ltd., All material intercompany accounts and transactions have been eliminated.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's and its subsidiary's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are unchanged from those set out in Note 4 of the audited Consolidated Financial Statements for the year ended March 31, 2019.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material revisions to the accounting policies reported in the Company's audited Consolidated Financial Statements for the Year Ended March 31, 2019.

(a) **Going Concern of Operations**

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, there are currently material uncertainties in respect to these assumptions which cast significant doubt as to the Company's ability to continue as a going concern. The Company has incurred losses since inception, has no recurring source of revenue and has an accumulated deficit of \$18,557,124 at December 31, 2019. The Company will need to raise sufficient funds in order to finance ongoing exploration, development and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

b) **Significant Accounting Judgments, Estimates and Assumptions**

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

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, the recoverability and measurement of deferred tax assets and liabilities, and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's unaudited Condensed Consolidated Interim Financial Statements for the nine months ended December 31, 2019.

5. RECLAMATION BONDS

Included in Mineral Exploration and Evaluation Costs as at December 31, 2019, is the Company's aggregate reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of \$169,900 (March 31, 2019 - \$169,900).

The bonds cover the future site restoration costs with respect to the Seel and Ox Lake Claims, collectively known as the Ootsa Property. All or part of the \$169,900 can be recovered subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

The bonds have not been discounted from their future value because the Company estimates the bonds may be settled within 2 years and the discounting cost being considered immaterial. The Company believes that the amount of the bonds includes sufficient risk premium.

Recovery of the posted bonds remains subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

6. MINERAL PROPERTIES

Ootsa Property

As at December 31, 2019, the Company owned a 100% interest in the Ootsa Property, located in central British Columbia, comprised of 124 mineral claims totalling 72,710.4 hectares. All of these claims have had sufficient exploration work completed to remain valid until December 10, 2025.

Beyond claims acquired by staking, material transactions and royalty obligations in respect to this property are:

- 14 claims totalling 574.6 hectares, known as the Ox claims, are subject to a 2% Net Smelter Returns ("NSR") royalty. The purchase agreement with the vendor, Silver Standard Resources Inc., ("Silver") entitles the Company to purchase 50% of the 2% NSR from Silver at any time by the payment to Silver of \$500,000. The Company may purchase the remaining 1% NSR at any time by payment to Silver of an additional \$1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.
- There are five claims totalling 3,450.4 hectares, known as the Seel claims, which are subject to a 1% NSR. The Company is entitled at any time to purchase 50% of this 1% NSR for \$1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

6. MINERAL PROPERTIES (continued)

- Two additional claims known as the Swing claims (the “Captain Mine”) totalling 383.4 hectares, purchased in March 2014, are subject to a 2% NSR. The purchase agreement with the vendor entitles the Company to purchase 50% of the 2% NSR from the vendor at any time by the payment to the vendor of \$500,000 or the Company may purchase the entire 2% NSR at any time by payment to the vendor of \$1,000,000.
- The Troitsa Peak claim totalling 211.3 hectares and purchased in December 2014 is subject to a 1% NSR, half of which can be bought back at any time by the Company for \$500,000.
- On August 5, 2016, the Company acquired one claim for total consideration of \$3,000, adding a total of 76.7 hectares.

Auro Property

In March 2012, the Company sold all of its mineral interests known as the Auro and Auro South properties (“Properties”) to New Gold Inc. Under the terms of the purchase agreement, the Company retained a 2% NSR on these properties.

British Columbia Mineral Tax Credits (“BCMETC”)

The completion of certain qualified exploration costs by the Company entitles it to refundable tax credits as part of an exploration incentive plan offered by the Province of British Columbia. In June 2018 the Company filed a BCMETC claim with the Canada Revenue Agency seeking \$3,299 in qualified refundable tax credits for the year ended March 31, 2018, which was accrued at March 31, 2018 and received during fiscal 2019. In May 2019 the Company filed a BCMETC claim with the Canada Revenue Agency seeking \$154,522 in qualified refundable tax credits for the year ended March 31, 2019, which has also been accrued and which is considered to be entirely collectible. In January 2020 the entire amount was received.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

6. MINERAL PROPERTIES (continued)

Expenditures on mineral property acquisition and deferred exploration and development costs for the nine months ended December 31, 2019 and for the year ended March 31, 2019 are as follows:

	For the nine months ended December 31, 2019	For the year ended March 31, 2019
Property acquisition costs:		
Balance, beginning of the period	\$ 1,150,204	\$ 1,150,204
Cash costs	-	-
Balance, end of the period	1,150,204	1,150,204
Deferred exploration and evaluation costs:		
Balance, beginning of the period	20,773,283	20,350,434
Incurred during the period:		
Barge	-	6,460
Drilling	-	314,999
Geology	-	64,850
Insurance	-	1,028
Consulting fees – First Nations	-	25,000
Field costs	-	33,207
Travel	-	2,499
Assaying	1,142	28,360
Camp costs	5,954	61,662
Fuel	492	22,631
Exploration tax credit recovery	-	(154,522)
Wages and related expenses	-	16,675
Total expenditures during the period	7,588	422,849
Balance, end of the period	20,780,871	20,773,283
Total deferred costs, end of the period	\$ 21,931,075	\$ 21,923,487

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

7. EQUIPMENT AND CAMP BUILDINGS

	Office Equipment	Camp Vehicles and Equipment	Camp Buildings/ Septic	Bridge	Total
Cost					
Balance at March 31, 2018	\$ 41,524	\$ 122,575	\$ 178,838	\$ 32,855	\$ 375,792
Additions	468	-	-	-	468
Disposals	-	-	-	-	-
Balance at March 31, 2019	\$ 41,992	\$ 122,575	\$ 178,838	\$ 32,855	\$ 376,260
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at December 31, 2019	\$ 41,992	\$ 122,575	\$ 178,838	\$ 32,855	\$ 376,260
Depreciation and impairment					
Balance at March 31, 2018	\$ 37,227	\$ 104,735	\$ 176,756	\$ 18,067	\$ 336,785
Additions	1,599	4,720	2,082	3,284	11,685
Disposals	-	-	-	-	-
Balance at March 31, 2019	\$ 38,826	\$ 109,455	\$ 178,838	\$ 21,351	\$ 348,470
Additions	714	2,574	-	2,463	5,751
Disposals	-	-	-	-	-
Balance at December 31, 2019	\$ 39,540	\$ 112,029	\$ 178,838	\$ 23,814	\$ 354,221
Carrying amounts – NBV					
At March 31, 2019	\$ 3,166	\$ 13,120	\$ -	\$ 11,504	\$ 27,790
At December 31, 2019	\$ 2,452	\$ 10,546	\$ -	\$ 9,041	\$ 22,039

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

8. RIGHT OF USE ASSET

The Company has an office lease with terms to September 30, 2021. As at December 31, 2019, the present value of the estimated remaining office lease is \$76,679 using a discount rate of 4.25%.

	Right-of-use asset	
Cost		
Balance, March 31, 2019	\$	-
Initial valuation		109,541
Balance, December 31, 2019	\$	109,541
Accumulated Depreciation		
Balance, March 31, 2019	\$	-
Depreciation		32,862
Balance, December 31, 2019	\$	32,862
Net book value	\$	76,679

9. TRADE AND OTHER PAYABLES

The Company's trade and other payables on December 31, 2019 and March 31, 2019 are as follows:

	As at December 31,		As at March 31,	
	2019		2019	
Trade payables	\$	63,987	\$	28,224
Amount due to related parties		26,237		18,057
Accrued expenses		10,100		14,100
Current portion – lease liability		16,152		-
	\$	116,476	\$	60,381

Trade payables are comprised principally of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

10. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2019 the following amounts were paid. All comparative amounts are for the nine months ended December 31, 2018.

- (a) Management wages and director fees of \$58,300 (2018 - \$90,350) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.
- (b) Administration fees of \$14,100 (2018 - \$15,300) were paid to Companies controlled by a directors or officers of the Company.
- (c) Consulting and geological fees of \$Nil (2018 – \$36,300) were paid to Companies controlled by directors or officers of the Company.
- (d) Included in accounts payable and accrued liabilities at December 31, 2019 is \$26,237 (2018 - \$Nil) owing to the senior management and directors of the Company for unpaid management fees.
- (e) Pursuant to a settlement agreement, effective June 27, 2016, the Company is obligated to pay its former President & CEO the following amounts bearing no interest:
 - (i) \$110,000 on July 15, 2016 (paid);
 - (ii) \$110,000 on June 27, 2017 (paid);
 - (iii) \$110,000 on June 27, 2018 (paid).

These payment dates are subject to acceleration in the event the Company has raised additional \$3,000,000 equity capital during the twelve months ended June 27, 2017 with immediate payment of all the then remaining settlement amounts due upon the closing of at least \$3,000,000 in additional equity capital. The settlement amount of \$330,000 includes the Bonus payable as at March 31, 2016.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

10. RELATED PARTY TRANSACTIONS (continued)

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors.

The Company incurred the following transactions with companies controlled by directors of the Company.

	For the nine months ended December 31,	
	2019	2018
Professional fees - administration	\$ 14,100	\$ 15,300
Consulting and geological fees	-	36,300
Management and administration	58,300	90,350
	\$ 72,400	\$ 141,950

Key management personnel compensation:

	For the nine months ended December 31,	
	2019	2018
Management fees	\$ 58,300	\$ 90,350

Key management personnel compensation comprised of:

	For the nine months ended December 31,	
	2019	2018
Short term employee benefits	\$ 58,300	\$ 90,350
Share-based payments	-	16,582
	\$ 58,300	\$ 106,932

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued and fully paid:

	Number of Shares	Amount
Balance – March 31, 2018	54,979,373	\$ 35,252,333
Issued for cash – non flow through	2,700,000	278,000
Less: share issue costs – cash	-	(3,640)
Balance – March 31, 2019	57,679,373	\$ 35,526,693
Issued for cash – non flow through	1,779,286	124,550
Less: share issue costs – cash	-	(1,354)
Balance – December 31, 2019	59,458,659	\$ 35,649,889

Transactions during the Nine Months Ended December 31, 2019

- i) On May 9, 2019, the Company completed a non-brokered private placement comprised of 1,779,286 units at a purchase price of \$0.07 per unit for gross proceeds of \$124,550. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.10 per share at any time on or before May 9, 2022.

Transactions during the Year Ended March 31, 2019

- On June 6, 2018, the Company completed a non-brokered private placement comprised of 400,000 units at a purchase price of \$0.12 per unit for gross proceeds of \$48,000. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.15 per share at any time on or before June 6, 2020.
- On July 25, 2018, the Company completed a non-brokered private placement comprised of 2,300,000 units at a purchase price of \$0.10 per unit for gross proceeds of \$230,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.18 per share at any time on or before July 25, 2021.

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants:

A continuity schedule of outstanding share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2018	12,406,666	\$0.21
Issued - Unit Offering	200,000	\$0.15
Issued - Unit Offering	2,300,000	\$0.18
Expired	(20,000)	\$1.50
Balance, March 31, 2019	14,886,666	\$0.21
Issued – Unit Offering	1,779,286	\$0.10
Expired	(2,333,333)	\$0.22
Balance, December 31, 2019	14,332,619	\$0.19

As at December 31, 2019 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
2,050,000	\$0.40	May 14, 2020
200,000	\$0.15	June 6, 2020
1,336,666	\$0.22	October 27, 2020
6,666,667	\$0.15	December 5, 2020
2,300,000	\$0.18	July 25, 2021
1,779,286	\$0.10	May 9, 2022
<u>14,332,619</u>		

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(d) Agents' warrants

A continuity schedule of outstanding agents' warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2018	492,934	\$0.16
No transactions	-	-
Balance, March 31, 2019	492,934	\$0.16
Expired	(42,934)	\$0.22
Balance, December 31, 2019	450,000	\$0.15

As at December 31, 2019 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
450,000	\$0.15	December 5, 2020
450,000		

(e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise. 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

(f) Stock options:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant.

The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV).

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

A summary of the Company's option transactions for the nine months ended December 31, 2019 and for the year ended March 31, 2019 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2018	3,720,083	\$0.25	3.14
Granted	200,000	\$0.11	
Expired	(127,510)	\$1.30	
Expired	(249,573)	\$1.30	
Balance, March 31, 2019	3,543,000	\$0.13	2.53
Expired	(20,000)	\$0.75	
Balance, December 31, 2019	3,523,000	\$0.13	1.55

The weighted average share price of options exercised, as at the date of exercise, during the nine months ended December 31, 2019 was \$nil.

(f) Stock options (continued):

As at December 31, 2019 outstanding vested stock options are:

Number of Options	Exercise Price	Expiry Date
100,000	\$0.19	July 10, 2020
925,000	\$0.11	March 11, 2021
1,305,000	\$0.155	September 29, 2021
793,000	\$0.12	January 17, 2022
200,000	\$0.10	November 7, 2022
200,000	\$0.11	May 29, 2023
<u>3,523,000</u>		

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

The Black-Scholes model inputs for options granted during the year ended March 31, 2019 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
May 29, 2018	May 29, 2023	\$0.10	\$0.11	1.85	5 years	1.225	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes for future volatility due to publicly available information.

(g) Contributed Surplus:

During the nine months ended December 31, 2019 \$Nil (Year ended March 31, 2019, \$16,582) was recorded as stock-based compensation related to the granting of Nil incentive stock options (Year ended March 31, 2019 – 200,000). Of this amount, Nil (Year ended March 31, 2019, \$16,582) has been included as an expense in the consolidated statement of comprehensive loss.

A continuity of contributed surplus is as follows:

	For the Nine Months Ended		For the Year Ended	
	December 31, 2019		March 31, 2019	
Balance, beginning of period	\$	4,649,100	\$	4,632,518
Stock-based compensation - expensed		-		16,582
Balance, end of period	\$	4,649,100	\$	4,649,100

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

12. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

All financial instruments are included on the Company's balance sheet and measured at either fair value or amortized cost.

The Company's financial assets consist of cash and cash equivalents and amounts receivable, which are designated as loans and receivables and measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are designated as other financial liabilities and measured at amortized cost.

The carrying values of the Company's financial instruments measured at amortized costs approximate their fair values due to their short-term nature.

The capital of the Company consists of shareholders' equity - \$21,741,865 (March 31, 2019 - \$21,798,157).

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

13. SEGMENTED INFORMATION

During the nine months ended December 31, 2019 and for the year ended March 31, 2019 the Company operated in one reportable operating segment, being the acquisition, exploration and development of mineral properties in British Columbia. Administrative expenses and working capital balances are located in Canada.

14. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the nine months ended December 31, 2019 and year ended March 31, 2019:

No transactions

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Notes to the Condensed Consolidated Interim Financial Statements

(unaudited - expressed in Canadian dollars)

For the Nine Months ended December 31, 2019 and December 31, 2018

15. COMMITMENTS AND CONTINGENCIES

Effective with a commencement date of October 1, 2016, the Company is committed to an operating lease on its office premises expiring on September 30, 2021. The Company's lease commitments for the total annual basic lease rate and operating costs are as follows:

2020	50,347
2021	51,714
2022	26,290