MegumaGold Corp.

Condensed Interim Consolidated Financial Statements (unaudited)

For the Three-Months Period Ended June 30, 2020 and 2019

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), 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 condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of MegumaGold Corp. (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 financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

MEGUMAGOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

AS AT	**June 30, 2020** **$**	March 31, 2020 $
Assets		
Current assets		
Cash and cash equivalents	**919,947**	1,023,103
Other receivables	**18,946**	49,882
Investments *(Note 13)*	**194,760**	289,035
Promissory note receivable *(Note 14)*	**75,000**	-
Prepaid expenses	**-**	7,521
	1,208,653	1,369,541
Non-current assets		
Exploration and evaluation assets *(notes 4 and 5)*	**14,572,857**	14,473,419
Total assets	**15,781,510**	15,842,960
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(notes 4, 6 and 10)*	**634,021**	613,730
Flow through liability *(note 11)*	**229,504**	260,705
Total liabilities	**863,525**	874,435
Shareholders' Equity		
Share capital *(note 7)*	**34,884,341**	34,855,391
Share-based payment reserve *(note 7)*	**3,593,725**	3,593,725
Deficit	**(23,560,081)**	(23,480,591)
	14,917,985	14,968,525
Total liabilities and shareholders' equity	**15,781,510**	15,842,960

-See Accompanying Notes-

Nature of operations and going concern *(note 1)*
Subsequent events *(note 15)*

Approved on behalf of the Board on August 31, 2020:

"Stephen Stine"
Director

"Fred Tejada"
Director

CONDENSED INTERMIN CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Three months ended	
	June 30, 2020 $	**June 30, 2019 $**
EXPENSES		
Professional fees	**24,700**	16,601
General and administrative *(notes 8 and 10)*	**5,325**	57,653
Regulatory, transfer agent and filing fees	**6,715**	48,064
Corporate development	**48,936**	-
Management, consulting and director's fees *(note 10)*	**127,294**	87,059
Foreign exchange loss (gain)	**(4,775)**	(1,552)
Interest expense (income)	**664**	(3,250)
	208,859	204,575
OTHER ITEMS		
Flow-through liability reversal (*note 11*)	**(31,201)**	(439,118)
Realized gain on sale of marketable securities *(note 13)*	**(49,478)**	-
Unrealized gain on marketable securities *(note 13)*	**(48,690)**	-
Net income (loss) and comprehensive income (loss) for the period	**(79,490)**	234,543
Basic and diluted loss per share	**(0.00)**	0.00
Weighted average number of shares outstanding	**104,247,304**	89,952,808

-See Accompanying Notes-

MEGUMAGOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Share capital #	Share capital $	Contributed Surplus $	Deficit $	Total equity $
Balance – March 31, 2019	**96,530,640**	**33,974,141**	**3,088,214**	**(22,175,332)**	**14,887,023**
Net income and comprehensive income for the period	-	-	-	234,543	234,543
Balance – June 30, 2019	**96,530,640**	**33,974,141**	**3,088,214**	**(21,940,789)**	**15,121,566**
Balance – March 31, 2020	**102,780,640**	**34,855,391**	**3,593,725**	**(23,480,591)**	**14,968,525**
Shares issued for options exercised	299,500	28,950	-	-	28,950
Net loss and comprehensive loss for the period	-	-	-	(79,490)	(79,490)
Balance – June 30, 2020	**103,080,140**	**34,884,341**	**3,593,725**	**(23,560,081)**	**14,917,985**

-See Accompanying Notes-

MEGUMAGOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND 2019
UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	June 30, 2020 $	June 30, 2019 $
Cash flows used in operating activities		
Net income (loss) and comprehensive income (loss) for the period	**(79,490)**	234,543
Adjustments for items not involving cash:		
Unrealized gain on marketable securities	**(48,690)**	-
Realized gain on sale of marketable securities	**(49,478)**	-
Flow-through liability reversal	**(31,201)**	(439,118)
Changes in non-cash working capital items:		
Change in other receivables	**34,935**	75,845
Change in prepaid expenses	**7,521**	12,277
Change in accounts payable and accrued liabilities	**(69,042)**	(583,341)
Net cash used in operating activities	**(233,445)**	(694,794)
Investing activities		
Exploration and evaluation assets	**(10,106)**	(317,268)
Proceeds from disposition of investment	**192,443**	-
Net cash used in investing activities	**(182,337)**	(317,268)
Financing activities		
Proceeds from options exercised	**24,950**	-
Promissory note	**(75,000)**	-
Net cash provided by financing activities	**(50,050)**	-
Change in cash and cash equivalents	**(103,158)**	(1,021,062)
Cash and cash equivalents, beginning	**1,023,104**	4,293,704
Cash and cash equivalents, ending	**919,946**	3,281,642

-See Accompanying Notes-

1. Nature of operations and going concern

MegumaGold Corp. ("the Company" or "MegumaGold") was incorporated pursuant to the Business Corporation Act (British Columbia). The Company is a listed issuer on the Canadian Securities Exchange ("CSE") under the symbol "NSAU", the Frankfurt Stock Exchange under the symbol FWB: 2CM and on the United States OTC stock market's OTC Pink, under the symbol NSAUF. The Company's registered office is at 789 West Pender Street, Suite 810, Vancouver, British Columbia, V6C 1H2, Canada and its head office is located at Suite 2630-1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada.

The Company is engaged in the business of acquiring, exploring and developing natural resource properties, with a focus on precious metal properties located in Canada.

These condensed interim consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Several material uncertainties lend significant doubt on the validity of this assumption. The Company has incurred losses since inception and has no current source of revenue. At June 30, 2020, the Company had a deficit of $23,560,081 (2020 - $23,480,591) and working capital of $345,128 (2020 - $495,107). Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured given the volatile and uncertain financial markets. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. These factors indicate that the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2020. These financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended March 31, 2020.

The Board of Directors approved these consolidated financial statements on August 31, 2020.

Basis of measurement

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these condensed interim consolidated financial statements have been prepared on the historical-cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

2. Basis of presentation (Continued)

Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Significant Subsidiaries (Consolidated) – Ownership

	Country of Incorporation	June 30, 2020	March 31, 2020
1156219 B.C. Ltd.	Canada	100%	100%
1156222 B.C. Ltd.	Canada	100%	100%
1161097 B.C. Ltd.	Canada	100%	100%

Functional and presentation currency

Items included in the condensed interim consolidated financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Functional Currency of the Company and all its subsidiaries.

3. Significant Accounting Policies

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended March 31, 2020, with exception to the new accounting standards adopted by the Company discussed below.

The preparation of condensed consolidated interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Several amendments to existing accounting standards became effective January 1, 2019 and were first adopted by the Company in the year ended March 31, 2020:

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. This change has had no impact on the Company's financial statements.

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

3. Significant accounting policies (continued)

IFRS 16 – Leases

The Company adopted IFRS 16 - Leases on April 1, 2019 which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company has no leases and therefore the adoption of IFRS 16 did not have any impact on the consolidated financial statements.

4. Exploration and evaluation assets

	Meguma Project $	Cariboo Project $	Palladium Project $	Total $
Balance, March 31, 2019	**7,725,374**	**4,400,000**	**-**	**12,125,374**
Acquisition costs	155,054	-	965,000	1,120,054
Exploration expenditures (note 5)	1,338,981	-	-	1,338,981
Impairment	(110,990)	-	-	(110,990)
Balance, March 31, 2020	**9,108,419**	**4,400,000**	**965,000**	**14,473,419**
Acquisition costs	20,000	-	-	20,000
Exploration expenditures (note 5)	79,438	-	-	79,438
Balance, June 30, 2020	**9,207,857**	**4,400,000**	**965,000**	**14,572,857**

Meguma Project

On May 30, 2018, the Company closed the acquisition of 1156222 B.C. Ltd. ("115") by way of a three-corner amalgamation with 1156219 B.C. Ltd, a wholly owned subsidiary of the Company. Under the terms of the definitive acquisition agreement (the "115 Agreement"), the Company acquired 100% of 115 and assumed all of its assets and underlying agreements, including mineral claims in Nova Scotia. The Company issued 15.5 million shares at a fair value of $3,875,000 to the shareholders of 115 to satisfy the terms of the 115 Agreement (Note 7). The Company also issued 1.24 million shares in finder's shares at a fair value of $310,000. The Company paid $5,766 in legal fees in connection with the acquisition and agreed to pay $200,000 as a finder's fee, which have been capitalized as acquisition costs.

During the three-month period ended June 30, 2020 and years ended March 31, 2020 and 2019, the Company acquired additional mineral licenses and options for the Meguma project:

Acquisition of Additional Mineral Licenses:

On July 12, 2018, the Company purchased 100% interest in mineral licenses by way of a purchase and sale agreement ("Goldboro Agreement"). Under the terms of the Goldboro Agreement, the Company acquired mineral licenses in Nova Scotia. As consideration, the Company paid $890 in cash. The mineral licenses in the Goldboro Agreement are subject to a two percent royalty on gross revenue.

On August 10, 2018, the Company entered into an asset purchase and sale agreement. Under the terms of the Meguma District Asset Purchase and Sale Agreement ("Meguma District Agreement"), the Company acquired 100% interest in mineral licenses in Nova Scotia. As consideration, the Company paid $24,490 in cash. The mineral licenses in the Meguma District Agreement are subject to a two percent royalty on gross revenue.

On August 14, 2018, the Company entered into an asset purchase and sale agreement. Under the terms of the SW Meguma Asset Purchase and Sale Agreement ("SW Meguma Agreement"), the Company acquired 100%

interest in mineral licenses in Nova Scotia. As consideration, the Company paid $42,490 in cash. The mineral licenses in the SW Meguma Agreement are subject to a two percent royalty on gross revenue. This property was fully impaired during the year ended March 31, 2020.

4. Exploration and evaluation assets (continued)

Acquisition of Additional Mineral Licenses (continued)

On October 14, 2018, the Company entered into an asset purchase and sale agreement. Under the terms of the Central Meguma Asset Purchase and Sale Agreement ("Central Meguma Agreement"), the Company acquired 100% interest of mineral licenses in Nova Scotia. As consideration, the Company paid $2,200 in cash. The mineral licenses in the Central Meguma Agreement are subject to a two percent royalty on gross revenue.

On March 24, 2020, the Company entered into an asset purchase and sale agreement. Under the terms of the Central Goldenville Asset Purchase and Sale Agreement ("Central Goldenville Agreement"), the Company acquired 100% interest of 203 mineral licenses in Nova Scotia. As consideration, the Company paid $2,500 in cash. The mineral licenses in the Central Goldenville Agreement are subject to a 2% royalty on gross revenue.

On March 24, 2020, the Company entered into an asset purchase and sale agreement. Under the terms of the Touquoy Regional Asset Purchase and Sale Agreement ("Touquoy Regional Agreement"), the Company acquired 100% interest of 477 mineral licenses in Nova Scotia. As consideration, the Company paid $5,500 in cash. The mineral licenses in the Touquoy Regional Agreement are subject to a 2% royalty on gross revenue.

Option Agreements:

(i) Higgins Brook Property

On August 10, 2018, the Company entered into an Option Agreement ("Higgins Brook Property") to explore and develop licenses located in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% Net Smelter Royalty ("NSR"). The Company has the option to reduce the NSR royalty to 1% with a payment of $1,000,000.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of $30,000 within 10 business days of signing the Higgins Brook Property Option Agreement; (paid)
- Cash payment of $30,000 on or before the 12-month anniversary (paid);
- Cash payment of $40,000 on or before the 18-month anniversary; and,
- Cash payment of $100,000 on or before the 24-month anniversary.

On February 6, 2020, the existing option agreement with respect to Higgins Brook Property was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of $60,000 was recognized during the year ended March 31, 2020.

(ii) Killag Property

On August 10, 2018, the Company entered into an Option Agreement ("Killag Property") to explore and develop three licenses located in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% NSR royalty. The Company has the option to reduce the NSR royalty to 1% with a payment of $1,000,000.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of $7,500 within 10 business days of signing the Killag Property Option Agreement; (paid)
- Cash payment of $30,000 on or before the 12-month anniversary (paid);
- Cash payment of $30,000 on or before the 18-month anniversary (paid); and,
- Cash payment of $100,000 on or before the 24-month anniversary.

(iii) NS Option Agreement

On September 11, 2018, the Company entered into an option agreement ("NS Option Agreement") to explore and develop licenses located in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% NSR. The Company has the option to reduce the NSR royalty to 1% with a payment of $1,000,000.

4. Exploration and evaluation assets (continued)

Acquisition of Additional Mineral Licenses (continued)

Option Agreements (continued):

(iii) NS Option Agreement (continued)

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of $5,000 within 14 business days of signing the NS Option Agreement; (paid)
- Cash payment of $15,000 on or before the 12-month anniversary;
- Cash payment of $20,000 on or before the 18-month anniversary; and,
- Cash payment of $100,000 on or before the 24-month anniversary.

During the year ended March 31,2020, the existing option agreement was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of $5,000 was recognized during the year ended March 31, 2020.

(iii) Ecum Secum Option Agreement

On May 8, 2019, the Company entered into a Land Access Agreement (“Land Access”) to explore certain licenses in the Ecum Secum area of Halifax, Nova Scotia. As consideration, the Company paid $3,500 (paid).

During the year ended March 31,2020, the existing option agreement was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of $3,500 was recognized during the year ended March 31, 2020.

(iv) Genius Option Agreement

On December 4, 2019, the Company entered into an option agreement (“Genius Option Agreement”) to explore and develop licenses 6 licenses covering 1,620 hectares in Nova Scotia (“Property”). The Genius Option Agreement allows the Company to earn up to a 70% interest in 6 mining exploration licenses by satisfying the following conditions:

- Issue 250,000 common shares within 10 business days of signing the Genius Option Agreement (Issued) (Note 7) with a fair value of $41,250. Of the total shares issued, 125,000 common shares will be held in escrow and will be released on December 4, 2020;
- Earn 49.9% interest upon incurring $100,000 in exploration work consisting of ground surveys and pre-drilling target work on or before the 18- month anniversary;
- Earn 20.1% interest upon incurring $150,000 in exploration work, including a diamond drilling program on or before the 30-month anniversary.

Upon exercising the Genius Option Agreement in its entirety and earning 70% of the Property, Genius will have the option to convert the remaining 30% interest in the Property, into a 2% net smelter royalty.

Cariboo Project

On May 16, 2018, the Company closed the acquisition of 1161097 B.C. Ltd. (“116”) by way of a three-corner amalgamation with 1156219 B.C. Ltd, a wholly owned subsidiary of the Company. Under the terms of the definitive acquisition agreement (the “116 Agreement”), the Company acquired 100% of 116 and assumed all of its existing assets and underlying agreements at present, including:

- 100% ownership of the Cariboo Gold Project;
- 100% ownership of the Lac La Hache Gold Project; and
- 100% ownership of the Pinto Gold Project.

The Company issued 17,500,000 shares with a fair value of $4,375,000 and paid a total of $25,000 in cash to the shareholders of 116 to satisfy the terms of the 116 Agreement.

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

4. Exploration and evaluation assets (continued)

Plenty Zone South Option

On March 19, 2019, the Company entered into an Option Agreement ("Plenty Zone South" Property) to explore and develop licenses in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% NSR. The Company has the option to reduce the NSR to 1% with a payment of $1,000,000. The drilling date ("Drilling Date") is the date the Company commences drilling activity.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

(i) Cash payment of $10,000 on the date that is six months after the Drilling Date (paid);
(ii) Cash payment of $20,000 on the 12-month anniversary of the Drilling Date (paid);
(iii) Cash payment of $30,000 on the 18-month anniversary of the Drilling Date; and,
(iv) Cash payment of $100,000 on the 24- month anniversary date of the Drilling Date.

Tay-LP Gold Property Mineral Option

During the year ended March 31, 2019, the Company terminated its option in Tay-LP and the Company recorded impairment of $171,399.

White Caps Gold Project

During the year ended March 31, 2019, the Company disposed of its wholly-owned subsidiary, WCMC, to an arm's length party. On the date of disposition, WCMC had net liabilities of $122,411. The Company received $13,600 (US$10,000) from the acquirer and, as a result, the Company recognized a $111,055 gain on disposal of WCMC.

Palladium Project

On March 10, 2020, the Company agreed to acquire 5 mineral claims for total of 3067 hectares, located in the Similkameen mining division approximately 7 and 20 km north west of Copper Mountain and hosts the potential for palladium and platinum associated with both the alkalic intrusive of the Okanagan ("Palladium Project"). The claims will be acquired from arm's length vendors in consideration of the sum of CDN$125,000, and 6,000,000 fully paid and non-assessable common shares (issued) (Note 7). No finder's fees were paid in connection with the Acquisition.

As at June 30, 2020, the cash payment is outstanding and included in accounts payable and 6,000,000 common shares were issued during the year ended March 31, 2020, with a fair value of $840,000 (Note 7).

5. Exploration and evaluation activity

The following table provides a breakdown of exploration and evaluation activity of the Meguma Project for the three-month period ended June 30, 2020 (note 4):

	Meguma Project $
Assaying and others	63
Geological consultants	79,375
As at June 30, 2020	**79,438**

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

The following table provides a breakdown of exploration and evaluation activity of the Meguma Project during the year ended March 31, 2020 (note 4):

	Meguma Project $
Assaying and others	180,600
Supplies	91,194
Drilling	172,838
Geological consultants	37,038
Geological surveying	857,311
As at March 31, 2020	**1,338,981**

6. Accounts payable and accrued liabilities

	June 30, 2020 $	March 31, 2020 $
Accounts payable (*Note 10)*	276,902	274,611
Accrued liabilities *(Note 10)*	357,119	339,119
	634,021	613,730

All payables are unsecured, non-interest bearing, incurred in the normal course of the Company's business operations and are within the credit terms of each relevant supplier or service provider.

7 Share capital and reserves

Authorized share capital

Unlimited common shares without nominal or par value.

Issued share capital

As at June 30, 2020, the Company had 103,080,140 (March 31, 2020: 102,780,640) issued common shares.

During the three-month period ended June 30, 2020, the Company completed the following issuances:

During the three-month period, 299,500 options were exercised at prices ranging from $0.08 to $0.10 per share for proceeds of $28,950.

During the year ended March 31, 2020, the Company completed the following share issuances:

On December 9, 2019, the Company issued 250,000 common shares at $0.165 per share for a total fair value of $41,250 pursuant to the Genius Option Agreement (note 4).

On March 10, 2020, the Company issued 6,000,000 common shares at $0.14 per share for a total fair value of $840,000 pursuant to the Palladium mineral claims acquisition (note 4).

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

7. Share capital and reserves (continued)

Warrants

Warrant transactions outstanding and exercisable for the three-month period ended June 30, 2020 were as follows:

	Number of Warrants #	Weighted average exercise price $
Balance, March 31, 2019	**23,331,006**	**0.18**
Expired	(1,616,000)	(0.35)
Balance, March 31, 2020	**21,715,006**	**0.16**
Expired	(10,159,450)	(0.20)
Balance, June 30, 2020	**11,555,556**	**0.13**

The remaining contractual life for the warrants outstanding was 1.40 years.

Expiry Date	Exercise Price $	Number of Warrants #
November 23, 2021*	0.13	11,555,556
		11,555,556

* The Company extended the life of 11,555,556 warrants with an exercise price of $0.13 originally expiring on November 23, 2019 for two years to November 23, 2021.

Options

The Company has an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares. The Company can grant up to 10% of the Company's issued and outstanding share capital on a rolling basis. Such options will be exercisable for a period of up to four years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

The following table summarizes the changes in the outstanding stock options:

	Number of options #	Weighted average exercise price $
Balance - March 31, 2018 and March 31, 2019	2,749,500	0.17
Issued	6,900,000	0.08
Balance - March 31, 2020	9,649,500	0.10
Exercised	(299,500)	0.10
Balance – June 30, 2020	9,350,000	0.10

On June 13, 2019, the Company granted 200,000 stock options to an arm's length consultant. The options vest 50% immediately and 50% on September 13, 2019, with an exercise price of $0.16 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be $26,261 with the following inputs: stock price - $0.14; exercise price - $0.16; expected life – 5 years; volatility – 168%; and risk-free rate – 1.35%.

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

7. Share capital and reserves (continued)

Options (continued)

On August 28, 2019, the Company granted 6,000,000 stock options to arm's length consultants. The options vested immediately, with an exercise price of $0.08 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be $420,362 with the following inputs: stock price - $0.075; exercise price - $0.08; expected life – 5 years; volatility – 167%; and risk-free rate – 1.23%.

On October 11, 2019, the Company granted 700,000 stock options to directors, officers and consultants. The options vested immediately, with an exercise price of $0.09 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be $58,888 with the following inputs: stock price - $0.09; exercise price - $0.09; expected life – 5 years; volatility – 163%; and risk-free rate – 1.55%.

The Company recognized stock-based compensation of $Nil during the three-month period ended June 30, 2020 (Year ended March 31, 2020: $505,511)

The expiry and exercise prices of stock options outstanding and exercisable as at June 30, 2020 is as follows:

Expiry Date	**Exercise Price** **$**	**Number of options outstanding and exercisable** **#**
March 9, 2023	0.17	2,500,000
June 13, 2024	0.16	200,000
August 28, 2024	0.08	5,950,000
October 11, 2024	0.09	700,000
		9,350,000

The weighted average life of outstanding options is 3.77 years.

Share-based payment reserve

Share-based payment reserve records the stock-based compensation expenses and warrant payments for services. At the time that stock options and warrants are exercised, the corresponding amount will be transferred to share capital.

8. Expenses by nature

General and administrative expenses by nature consist of the following:

For the year ended	**June 30, 2020** **$**	June 30, 2019 $
Office expenses	550	3,900
Travel	-	2,175
Insurance	2,375	2,375
Other administrative expenses	2,400	49,203
	5,325	57,653

9. Financial instruments and risks

The Company's financial instruments consist of cash and cash equivalent, investments and accounts payable.

Financial instruments measured at fair value are classified into one of the 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 hierarchy are:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash and cash equivalents and investments.

Financial instruments classified as level 3 – Techniques which use inputs that have a significant effect on the recorded fair value, include warrants to purchase shares in Osprey Gold Developments Ltd. Management has considered various valuation techniques for the warrants including the Black Scholes Option Pricing Model and the intrinsic approach. Management has determined the fair value of the warrants to be $nil based on the intrinsic value approach, because the warrant exercise price is more than the current market price and accordingly the warrants are out of the money.

The fair value of the accounts payable approximates to their carrying value due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and other receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. Other receivable represents GST/HST due from the Canadian government. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets. The Company has assessed credit risk as low.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient liquidity to meet its financial obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company cautions that there are no cash flows from operations. The Company believes that its current cash holdings is adequate to meet its anticipated short-term obligations.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. As at June 30, 2020, the Company had a cash balance of $727,506 (March 31, 2020 - $1,023,104) to settle current liabilities of $863,525 (March 31, 2020 - $874,434).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

(i) 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 the market interest rates. The Company has no material exposure at June 30, 2020 to interest rate risk through its financial instruments.

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9. Financial instruments and risks (continued)

Market risk (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any financial instruments denominated in a foreign currency. Foreign currency risk is assessed as low.

(iii) Price risk

The Company's exposure to price risk with respect to commodity and equity prices is minimal due to the fact that the Company is still in the exploration stage with no earnings. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company when warranted. The Company has assessed price risk as low.

10. Related party transactions

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

For the three months period ended	**June 30, 2020 $**	June 30, 2019 $
Consulting fees accrued or paid to a company controlled by the President	**18,000**	18,000
Consulting fees accrued or paid to a company controlled by the CFO	**15,000**	15,000
Consulting fees accrued or paid to a company controlled by the CEO	**39,360**	39,975
	72,360	72,975

b) As at June 30, 2020, total amounts payable to directors and companies owned by directors in accounts payable and accrued liabilities were $258,115 (March 31, 2020 - $270,064) (note 7). The balances due to related parties are interest free, due to demand and are unsecured.

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11. Flow-through liability

For the purposes of calculation any premium related to the issuance of the flow-through shares, the Company compared the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares (Note 7). As a result, the Company's flow-through liability on issuance of flow through shares in connection with private placements is as follows:

	June 30, 2020 $	March 31, 2020 $
Balance, beginning of the period	260,705	743,601
Additions (Note 7)	-	-
Reversal	(31,201)	(482,896)
Balance, end of the period	229,504	260,705

12. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue suitable business opportunities and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in note 9.

In the management of capital, the Company includes the components of Shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares monthly and annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations. The Company is not subject to externally imposed capital requirements. There are no changes in the Company's approach to capital management. The Company is not subject to restrictions.

13. Investments

During the year ended March 31, 2020, the Company purchased 17,600,000 common shares and 13,100,000 warrants from Osprey Gold Development Ltd (TSXV: OS), "Osprey", for $862,910. During the year ended March 31, 2020, the Company sold 11,177,000 common shares for gross proceeds of $764,271 and recognized a realized gain on sale of marketable securities of $216,274. During the period ended June 30, 2020, the Company sold 3,177,000 common shares for gross proceeds of $192,443 and recognized a gain on sale of $49,478. As at June 30, 2020, the Company holds 3,246,000 common shares with a fair value of $194,760. As at June 30, 2020, the Company recognized an unrealized gain on marketable security of $48,690.

The Company initially recorded the 13,100,000 share purchase warrants ("Osprey Warrants") at a $nil fair value. During the period ended June 30, 2020, the Company disposed of 13,100,000 Osprey Warrants through private transactions with two arm's-length parties. As a result of the dispositions, the Company beneficially owns or controls 3,246,000 shares and no warrants, representing approximately 4.43% of the issued and outstanding shares of Osprey.

14. Loan Receivable

On May 8, 2020, the Company entered into a Promissory Note ("Promissory Note") of $75,000 with Osprey. The Promissory Note is non-interest bearing, due on demand and is unsecured.

15. Subsequent events

The Company entered into an Arrangement Agreement on June 8, 2020 pursuant to which the Company will acquire 100% of the issued and outstanding shares of Osprey (the "Transaction"). Each shareholder of Osprey will receive such number of common shares of the Company (the "Company's share") as is equal to the product of the number of Osprey Shares held by such shareholder at an exchange ratio which equals one (1) the Company's shares per two (2) Osprey Shares outstanding at the closing of the Transaction. The Transaction has not closed as of the date of these financial statements.