# BLACKROCK GOLD CORP.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended January 31, 2020 and 2019

(Expressed in Canadian Dollars)

# BLACKROCK GOLD CORP.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

| | | January 31, 2020 | | October 31, 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | **$** | **567,969** | $ | 878,066 |
| Amounts receivable | | **24,954** | | 20,384 |
| Prepaid expenses and deposits (Note 4) | | **25,205** | | 190,034 |
| | | **618,128** | | 1,088,484 |
| **Non-current assets** | | | | |
| Guaranteed investment certificate (Note 12) | | **33,000** | | 33,000 |
| Fixed assets | | **1,839** | | 4,905 |
| Exploration and evaluation assets (Note 5) | | **2,105,066** | | 1,623,665 |
| | **$** | **2,758,033** | $ | 2,750,054 |
| **Liabilities and Shareholders' Equity** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | **$** | **59,844** | $ | 344,865 |
| Loans payable (Notes 6, 8) | | **134,214** | | 131,436 |
| Due to related parties (Note 8) | | **75,953** | | 99,439 |
| | | **270,011** | | 575,740 |
| **Shareholders' Equity** | | | | |
| Share capital (Note 7) | | **7,647,294** | | 6,757,887 |
| Reserves (Note 7) | | **993,947** | | 1,085,554 |
| Deposit for share issuance (Note 13) | | **5,000** | | 50,000 |
| Deficit | | **(6,158,219)** | | (5,719,127) |
| | | **2,488,022** | | 2,174,314 |
| | **$** | **2,759,233** | $ | 2,750,054 |

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

Approved by the Directors:

*"Alan Carter"*
Alan Carter, Director

*"Tony Wood"*
Tony Wood, Director

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

## BLACKROCK GOLD CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | Three Months Ended January 31, | |
|---|---|---|
| | **2020** | 2019 |
| **Operating expenses** | | |
| Accounting and audit | **$ 8,750** | $ 3,250 |
| Bank charges and interest | **1,335** | 1,017 |
| Consulting fees (Note 8) | **18,502** | 72,087 |
| Depreciation | **3,036** | - |
| Foreign exchange loss | **2,982** | (1,035) |
| Insurance | **5,183** | 1,932 |
| Interest expense (Notes 6, 8) | **2,967** | 2,182 |
| Legal fees | **18,933** | 28,725 |
| Management fees (Note 8) | **102,123** | 30,204 |
| Marketing and communications | **164,638** | 22,279 |
| Office expense | **14,896** | 3,402 |
| Regulatory and filing fees | **7,824** | 10,104 |
| Rent | **1,734** | 6,603 |
| Share-based compensation | **14,000** | - |
| Travel | **48,382** | 16,779 |
| Wages (Note 8) | **23,807** | 34,548 |
| **Net and Comprehensive Loss for the period** | **$ 439,092** | $ (232,077) |
| **Basic and Diluted Loss per share** | **$ (0.01)** | $ (0.01) |
| **Weighted average number of shares outstanding** | | |
| **Basic and Diluted** | **62,690,252** | 42,992,518 |

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

# BLACKROCK GOLD CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

| | | Three Months Ended January 31, | | |
|---|---|---|---|---|
| | | **2020** | | 2019 |
| **Cash provided by (used for):** | | | | |
| **Operating activities** | | | | |
| Net loss for the period | **$** | **(439,092)** | $ | (232,077) |
| Adjustment for items not involving cash: | | | | |
| Interest accrued on loans payable | | **2,778** | | 2,182 |
| Share-based compensation | | **14,000** | | - |
| Depreciation | | **3,066** | | - |
| Changes in non-cash operating capital: | | | | |
| Amounts receivable | | **(4,570)** | | (3,058) |
| Prepaid expenses and deposits | | **164,829** | | 52,974 |
| Accounts payable and accrued liabilities | | **15,750** | | 25,306 |
| Due to related parties | | **(23,486)** | | (2,104) |
| | | **(266,725)** | | (156,776) |
| **Investing activity** | | | | |
| Exploration and evaluation assets | | **(782,172)** | | (27,103) |
| | | **(782,172)** | | (27,103) |
| **Financing activities** | | | | |
| Issuance of common shares, net of share issue costs | | **733,800** | | - |
| Share subscriptions received | | **5,000** | | - |
| Proceeds from loans payable | | **-** | | 32,860 |
| | | **738,800** | | 32,860 |
| Increase (decrease) in cash | | **(310,097)** | | (151,019) |
| Cash, beginning of the period | | **878,066** | | 210,029 |
| Cash, end of the period | **$** | | $ | 59,010 |
| **Supplementary disclosure:** | | | | |
| Mineral property expenditures included in accounts payable | **$** | **25,906** | $ | - |

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

## BLACKROCK GOLD CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

| | Number of shares | | Share capital | | Deposit for share issuance | | Reserves | | Deficit | | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at October 31, 2018** | 42,992,518 | $ | 4,401,972 | $ | - | $ | 565,505 | $ | (4,025,403) | $ | 942,074 |
| Net loss for the period | - | | - | | - | | - | | (232,077) | | (232,077) |
| **Balance at January 31, 2019** | 42,992,518 | | 4,401,972 | | - | | 565,505 | | 4,257,481 | | 709,996 |
| Private placements | 12,380,125 | | 1,620,820 | | - | | - | | - | | 1,620,820 |
| Share issue costs | - | | (11,115) | | - | | - | | - | | (11,115) |
| Shares for property payment | 150,000 | | 16,500 | | - | | 3,780 | | - | | 20,280 |
| Warrants exercised | 4,527,500 | | 623,500 | | - | | - | | - | | 623,500 |
| Share options exercised | 650,000 | | 106,210 | | - | | (50,710) | | - | | 55,500 |
| Deposit for share option exercise | - | | - | | 50,000 | | - | | - | | 50,000 |
| Share-based payments | - | | - | | - | | 566,979 | | - | | 566,979 |
| Net loss for the period | - | | - | | - | | - | | (1,461,647) | | (1,461,647) |
| **Balance at October 31, 2019** | 60,700,143 | | 6,757,887 | | 50,000 | | 1,085,554 | | (5,719,127) | | 2,174,314 |
| Private placement | 2,685,000 | | 537,000 | | - | | - | | - | | 537,000 |
| Share issue costs | - | | (1,200) | | - | | - | | - | | (1,200) |
| Shares issued as compensation | 200,000 | | 14,000 | | - | | - | | - | | 14,000 |
| Warrants exercised | 965,000 | | 162,000 | | - | | - | | - | | 162,000 |
| Share options exercised | 1,340,000 | | 177,607 | | (50,000) | | (91,607) | | - | | 36,000 |
| Subscriptions received | - | | - | | 5,000 | | - | | - | | 5,000 |
| Net loss for the period | - | | - | | - | | - | | (439,092) | | (439,092) |
| **Balance at January 31, 2020** | 65,890,143 | $ | 7,647,294 | $ | 5,000 | $ | 993,947 | $ | (6,158,219) | $ | 2,488,022 |

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

## 1) NATURE OF OPERATIONS AND GOING CONCERN

Blackrock Gold Corp. ("our" or the "Company") was incorporated on April 16, 1999 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition, exploration and development of mineral properties located in Canada and the United States. Effective July 27, 2016, the Company changed its name from Almo Capital Corp. to Blackrock Gold Corp. The Company's shares began trading on the TSX Venture Exchange ("TSX-V") under the symbol "BRC.V" on July 27, 2016 and also trade on the OTCQB under the symbol "BKRRF".

The head office, registered address, principal address and records office of the Company are located at 2300 – 1177 West Hastings Street, Vancouver, BC Canada V6E 2K3.

These consolidated financial statements (the "financial statements") have been prepared assuming the Company will continue on a going concern basis, or that it will continue to realize its assets and meet its obligations in the normal course of business. The Company has incurred losses since inception and has an accumulated operating deficit of $6,158,219 at January 31, 2020 (October 31, 2019 - $5,719,127). For the three-month period ended January 31, 2020, the Company had a net loss of $439,092 (Three months ended January 31, 2019 - $232,077), cash flows used in operating activities of approximately $266,725 (Three months ended January 31, 2019 – $156,776). As at January 31, 2020, the Company had working capital of $348,117 (October 31, 2019 - $512,744). The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate equity and/or debt financing to fund its exploration and administrative expenses. To date, the Company has not earned operating revenue.

The Company is uncertain that it can raise capital to meet its obligations, fund operations, or advance its mineral projects, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in the statement of financial position. These conditions indicate the existence of material uncertainties that cast significant doubt that the Company will be able to continue on a going concern basis. Failure to maintain the support of creditors and raise capital will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time. These financial statements contain no adjustments which would likely become necessary should the Company become unable to continue as a going concern.

Management plans to continue to pursue equity and debt financing to support operations. These plans may be adversely impacted by factors including uncertain market conditions and commodity prices. There can be no assurance that management's plan will be successful.

The recovery of the amounts comprising exploration and evaluation assets are dependent upon the ability of the Company to obtain necessary financing to successfully complete the development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

## 2) BASIS OF PRESENTATION

These financial statements were authorized for issue on March 27, 2020 by the directors of the Company.

a) Statement of compliance to International Financial Reporting Standards
These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

(Expressed in Canadian dollars)

**2) BASIS OF PRESENTATION – Continued**

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

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

c) Basis of consolidation
The financial statements of the Company include the following subsidiary:

| Name of subsidiary | Place of incorporation | Percentage ownership |
|---|---|---|
| Blackrock Gold Corp. | *USA* | 100% |

Blackrock Gold Corp. was incorporated on May 9, 2018. The Company consolidates the subsidiary on the basis that it controls the subsidiary through its ability to govern its financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

d) New accounting standards
The IASB issued IFRS 16, Leases ("IFRS 16"), which eliminates the classification of leases as either operating or finance leases for a lessee. IFRS 16 is effective from January 1, 2019. Under IFRS 16, all leases will be recorded on the statement of financial position. The only exemptions to this will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases on the statement of financial position under IFRS 16 will increase "right-of-use" assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases, as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for right-of-use assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about right-of-use assets and expenses and cash flows related to leases, (b) a maturity analysis of lease liabilities and (c) any additional company-specific information that is relevant to satisfying the disclosure objective.

The Company adopted the new standard beginning November 1, 2019. The Company had no assets or liabilities that would fall under this standard and as such, the adoption of the new standard had no impact on the Company's financial statements.

(Expressed in Canadian dollars)

## 3) SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statement for the year ended October 31, 2019.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended October 31, 2019. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three-month period ended January 31, 2020 are not necessarily indicative of the results that may be expected for the year ending October 31, 2020.

## 4) PREPAID EXPENSES

Prepaid expenses at January 31, 2020 and October 31, 2019 is comprised of the following:

| | | **January 31, 2020** | | October 31, 2019 |
|---|---|---|---|---|
| Digital marketing (i) | **$** | **-** | $ | 83,704 |
| Insurance | | **10,367** | | 15,550 |
| Marketing and lead generation (iii) | | **4,708** | | 7,533 |
| Marketing | | **7,359** | | 30,365 |
| Deposits - trade shows/conferences | | **-** | | 46,148 |
| Other | | **2,771** | | 6,734 |
| | **$** | **25,205** | $ | 190,034 |

(i) On September 9, 2016, the Company entered into a digital marketing agreement for online marketing services for a period of 90 days commencing November 20, 2016. A non-refundable digital marketing fee of US$125,000 ($161,200) was paid to the advertiser as compensation for these services. The full amount of the prepaid was utilized during the three months ended January 31, 2020.

(ii) On April 1, 2018, the Company entered into a consulting agreement for business advisory services for a period of 12 months. A non-refundable (unless termination is for cause) consulting fee of $125,000 was required as compensation for these services.

(iii) On July 4, 2019, the Company entered into a 12-month marketing and lead generation contract. A fee of $11,300 was paid to the marketer as compensation for these services. On March 8, 2018, the Company entered into a marketing agreement for marketing and lead generation campaign services for a period of 12 months. A fee of $36,000 was paid to the marketer as compensation for these services.
In September 2019, the Company entered into two six-month marketing contracts for editorial coverage. Fees of $18,000 and $27,548 (US$20,400) were paid as compensation for these services. On March 19, 2018, the Company entered into a marketing agreement for unlimited editorial coverage for a period of 12 months. A fee of $35,000 was paid to the marketer as compensation for these services.

## 5) EXPLORATION AND EVALUATION ASSETS

Title disclaimer

As at January 31, 2020, all of the Company's exploration and evaluation assets are located in British Columbia, Canada, and Nevada, United States. Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its mineral properties and, to the best of its knowledge; its properties are in good standing

Silver Cloud Project

On October 27, 2017, the Company entered into a Lease Agreement (the "Lease") with Pescio Exploration, LLC ("Pescio" or the "Lessor") with respect to 552 unpatented lode mining claims situated in Elko County, Nevada, and known as the Silver Cloud Project (the "Property"). The Lease affords Blackrock all rights and privileges incidental to ownership, including rights to explore, develop, and mine the Property. The term of the Lease is 10 years from October 27, 2017, and so long thereafter as: a) exploration and/or development is taking place on the Property; and/or b) the Property is held by Blackrock or its successors and assigns, unless earlier terminated in accordance with the terms of the Lease. In June 2019, the Company completed negotiations to amend the Lease terms and conditions with the underlying owner. The amended Lease provides for lower up-front payments, a reduction of the NSR through a buyout, and a purchase option for the Property.

Pursuant to the original Lease, to acquire and maintain the Lease in good standing, Blackrock:

(a) reimbursed the Lessor US$92,308 for the 2017 Bureau of Land Management ("BLM") fees;
(b) paid US$100,000 and issued 1,000,000 common shares of the Company to the Lessor at a price of $0.13 per share;
(c) paid US$100,000 in lease payments to the Lessor for year 1;
(d) must perform a minimum total of 15,000 feet of drilling on the Property during the first 3 years of the term of the Lease;
(e) must drill an additional 90,000 feet from years four to nine and 20,000 feet each subsequent year;
(f) must pay all BLM permit costs. The Company paid BLM fees of US$91,080 in 2019 and US$92,544 in 2018. The next BLM payment in the amount of US$92,544 is due on or before July 15, 2020; and
(g) must make additional payments to the Lessor of US$100,000 in year 2, US$150,000 in year 3, US$200,000 in year 4, US$250,000 in year 5, US$500,000 in year 6, US$750,000 in year 7 and US$1,500,000 per year starting in year 8.

Pursuant to the amending agreement:

(i) The Company must make the following cash payments:

i. 2nd Anniversary of the Effective Date October 27, 2019, US$75,000 (paid);
ii. 3rd Anniversary of the Effective Date October 27, 2020, US$100,000;
iii. 4th Anniversary of the Effective Date October 27, 2021, US$150,000;
iv. 5th Anniversary of the Effective Date October 27, 2022, US$200,000;
v. 6th Anniversary of the Effective date October 27, 2023, US$500,000;
vi. 7th Anniversary of the Effective date October 27, 2024, US$750,000; and
vii. 8th Anniversary of the Effective date and all subsequent anniversaries the Lease is in effect, US$1,500,000.

(Expressed in Canadian dollars)

**5) EXPLORATION AND EVALUATION ASSETS – Continued**

The Company is committed to and must pay all minimum payments up to and including the October 27, 2022 payment. The cash minimum payments will not be credited cumulatively against the Company's royalty payment obligations.

(ii) The Company must complete the following minimum drilling requirements:

i. 1st to 5th year of the Lease, 25,000 feet;
ii. 6th year of the Lease, 10,000 feet;
iii. 7th year of the Lease, 20,000 feet;
iv. 8th year of the Lease, 20,000 feet; and
v. 9th year of the Lease and each subsequent Lease year, 20,000 feet.

If the minimum drilling threshold is not achieved, the Company is subject to a penalty of US$50 per foot of undrilled footage.

(iii) The Company was granted the sole and exclusive option to purchase and own 100% of the Property for a total purchase price of US$3,500,000 on or before October 27, 2023. Exercising the purchase option will terminate the Company's obligation with respect to making any further cash payments and the only further payment obligation is the royalty. If the option to purchase is exercised, the exploration drilling commitment or drilling escape payment obligations remain in effect. If the Company elects to exercise the purchase option after October 27, 2023, it will have to pay a total purchase price of US$5,000,000 and will be obligated to pay all minimum payments and any and all related financial obligations.

(iv) The Company will pay Pescio a non-participating royalty of 3.5% based on the gross value from the production or sale of minerals from the Property and any area of interest acquired interests. The royalty percentage, as a whole, is made subject to a buy-down option of 3.5% representing 1% of the gross value for a total of US$3,000,000 at any time within the first five years.

On July 11, 2019, the Company, through its US subsidiary Blackrock Gold Corp., entered into a purchase agreement for 20 unpatented mining claims located immediately adjacent to the western boundary of the Property. These unpatented lode mining claims, collectively known as the West Silver Cloud property, extend the Property westward from the Northwest Canyon target. The Company:

(i) Paid US$5,000 upon closing of the transaction;
(ii) Issued 150,000 common shares of the Company; and
(iii) Issued 50,000 common share purchase warrants exercisable for a period of 3 years with an exercise price of $0.20 per common share.

The Property is subject to a production royalty equal to one-half a percent (0.5%) of the net smelter returns. The Company has the right to purchase the royalty at any time for US$500,000.

| **NEVADA – Silver Cloud** | | October 31, 2019 | | Net Additions | | **January 31, 2020** |
|---|---|---|---|---|---|---|
| Acquisition and holding | $ | 821,990 | $ | - | **$** | **821,990** |
| Geology and consulting | | 144,563 | | - | | **144,563** |
| Drilling and exploration | | 657,112 | | 481,401 | | **1,138,513** |
| **TOTAL** | $ | 1,623,665 | $ | 481,401 | **$** | **2,105,066** |

The acquisition cost and exploration and evaluation expenditures relating to the West Silver Cloud property have been included with those of the Property.

(Expressed in Canadian dollars)

## 6) LOANS PAYABLE

Loans payable at October 31, 2019 and 2018 is comprised of the following:

| | | **January 31, 2020** | | October 31, 2019 |
|---|---|---|---|---|
| Related parties: | | | | |
| Principal (i, iv, v) | **$** | **81,364** | $ | 81,364 |
| Principal (iii, iv) | | **32,860** | | 32,860 |
| Interest, net of foreign exchange | | **19,990** | | 17,212 |
| Repayment (vi) | | **-** | | - |
| | | **134,214** | | 131,436 |
| Arm's length: | | | | |
| Principal (ii, iv, v) | | **-** | | 21,463 |
| Interest | | **-** | | 1,209 |
| Repayment (ii) | | **-** | | (22,672) |
| | | **-** | | - |
| Total | **$** | | $ | 131,436 |

(i) On November 10, and 14, 2017, the Company entered into loan agreements with two directors of the Company to borrow a total of $81,364 for a period of one year. Of this amount, $40,308 was a non-interest-bearing advance at October 31, 2017 that was converted into a loan. As further consideration for advancing the loans, the Company issued a total of 1,162,273 bonus warrants to the directors exercisable at a price of $0.07 per share for a period of 12 months. The warrants subsequently expired unexercised. These loans were extended for an additional six-month term expiring on May 10 and 14, 2019 and have not been further extended. The number of bonus warrants to be issued with respect to the extension agreements has not yet been determined.

(ii) On November 27, 2017, the Company entered into a loan agreement with an arms-length party to borrow $19,983. As further consideration for advancing the loan, the Company issued 285,714 bonus warrants to the lender exercisable at a price of $0.07 per share for a period of 12 months. The warrants subsequently expired unexercised. The principal balance of $19,983, and interest of $2,689, was repaid during the year.

(iii) On January 14, 2019, the Company entered into a loan agreement with a director of the Company to borrow a total of $32,860 (US$25,000) for a period of one year. The number of bonus warrants to be issued with respect to this loan agreement have not yet been determined and the bonus warrants have not been issued.

(iv) These loans are unsecured and bear interest at 8% per annum with interest accruing and payable at maturity. Principal and all accrued and unpaid interest is payable in full on maturity or upon demand after six months and can be prepaid in full or in part at any time without penalty. Overdue principal and accrued interest bear interest at 8% per annum.

(v) Loan agreements that include bonus warrants are considered to be a compound financial instrument with the liability and equity component being classified separately in the consolidated statements of financial position on the date of issuance. The fair value of the liability component is determined first, with the residual value, if any, being allocated to the equity component. At the time of issuance, the fair value of the liability component was determined not to be materially different from the loan proceeds. Accordingly, no amount has been allocated to the equity component.

(vi) The principal balance of $24,114 and interest of $2,774 was repaid during 2018.

See Note 8.

**7) SHARE CAPITAL**

a) Authorized

The authorized share capital of the Company consists of unlimited common shares without par value.

b) Issued

During the three months ended January 31, 2020, the Company issued the following common shares:

(i) On November 1, 2019, the Company issued 200,000 common shares to the estate of Brian Morris, former CEO of the subsidiary, that were a part of his signing bonus when hired.

(ii) There was a total of 965,000 share purchase warrants and 1,340,000 share options exercised for proceeds of $162,000 and $86,000 respectively.

(iii) On January 30, 2020, the Company closed the first tranche of the non-brokered private placement previously announced on January 10, 2020. In connection with the first tranche closing, the Company issued a total of 2,685,000 units of the Company at a price of $0.20 per unit for gross proceeds of $537,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.30 until January 30, 2022. On closing, the Company paid a cash commission of $1,200, representing 6% of the proceeds raised in respect of a portion of the private placement.

During the year ended October 31, 2019, the Company issued the following common shares:

(i) On June 17, 2019, the Company closed the non-brokered private placement (the “Private Placement”) of 6,000,000 units (the “Units”) at a price of $0.10 per unit, for gross proceeds of $600,000. Each Unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of $0.16 per share, until June 17, 2022. Finder fees of 7% were paid on a portion of the Private Placement to PI Financial Corp. ($ 3,360) and Haywood Securities Inc. ($1,400).

(ii) On July 11, 2019, the Company issued 150,000 common shares as part of its acquisition of 20 mining claims directly adjacent to its Silver Cloud Project on the Northern Nevada Rift in Elko County, Nevada (Note 5).

(iii) On September 6, 2019, the Company closed the non-brokered private placement (the “Private Placement”) of 6,380,125 units (the “Units”) at a price of $0.16 per unit, for gross proceeds of $1,020,820. Each Unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of $0.25 per share, until September 6, 2022. Finder fees of 6% were paid on a portion of the Private Placement totaling $6,355. Andrew Pollard, current CEO, acquired 1,000,000 units as part of the financing.

(iv) During the year, there were a total of 650,000 share options exercised, ranging in exercise prices from $0.05 to $0.12 per common share. The Company received total proceeds of $55,500 from the exercise of the share purchase options. A total of $50,710 was transferred from reserves to share capital, representing the fair value of the share options exercised during the year.

(v) During the year, there were a total of 4,527,500 share purchase warrants exercised, ranging in exercise prices from $0.10 to $0.20 per common share. The Company received total proceeds of $623,500 from the exercise of the share purchase warrants.

(Expressed in Canadian dollars)

**7) SHARE CAPITAL – Continued**

c) Share purchase options

The Company adopted an incentive stock option plan ("the Plan") which provides that the number of shares issuable under the plan may not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Plan may have a maximum term of 10 years. The exercise price of options granted under the Plan may not be less than the discounted market price of the shares on grant date, or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange.

The continuity of share purchase options for the three months ended January 31, 2020 and the year ended October 31, 2019 is as follows:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| | | $ | | $ |
| Balance, beginning of the period | **5,665,000** | **0.14** | 4,050,000 | 0.09 |
| Granted | **-** | **-** | 3,765,000 | 0.17 |
| Exercised | **(1,340,000)** | **0.06** | (650,000) | 0.09 |
| Expired/Cancelled | **(125,000)** | **0.31** | (1,500,000) | 0.12 |
| Outstanding and Exercisable, end of the period | **4,200,000** | **0.15** | 5,665,000 | 0.14 |

As at January 31, 2020, the options have a weighted average life of 4.24 (October 31, 2019 - 3.64) years.

c) Share purchase options – continued

| Expiry Date | Number of Options | Exercise Price |
|---|---|---|
| | | $ |
| August 25, 2021 | 100,000 | 0.09 |
| May 2, 2023 | 350,000 | 0.12 |
| May 14, 2024 | 750,000 | 0.05 |
| May 21, 2024 | 500,000 | 0.05 |
| May 28, 2024 | 240,000 | 0.06 |
| June 19, 2024 | 610,000 | 0.10 |
| September 10, 2024 | 1,450,000 | 0.31 |

(Expressed in Canadian dollars)

**7) SHARE CAPITAL – Continued**

The fair value of the share-based payments expense for the three months ended January 31, 2020 and the year ended October 31, 2019, as determined by the Black-Scholes option pricing model was estimated using the following assumptions:

| | **2020 (weighted average)** | 2019 (weighted average) |
|---|---|---|
| Risk-free interest rate | - | 1.45% |
| Expected annual volatility | - | 135.33% |
| Expected life (years) | - | 5 |
| Dividend yield | - | 0% |

The weighted average grant date fair value per option was $Nil (2019 - $0.151).

d) Warrants

The continuity of warrants for the three months ended January 31, 2020 and the year ended October 31, 2019 is as follows:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | Number of Warrants | Exercise Price | Number of Warrants | Exercise Price |
| | | $ | | $ |
| Balance, beginning of the year | **11,117,563** | **0.20** | 16,304,653 | 0.15 |
| Issued | **1,342,500** | **0.30** | 6,240,063 | 0.21 |
| Exercised | **(965,000)** | **0.14** | (4,527,500) | 0.14 |
| Expired | **-** | **-** | (6,899,653) | 0.13 |
| Outstanding, end of the year | **11,495,063** | **0.22** | 11,117,563 | 0.20 |

As at January 31, 2020, the warrants have a weighted average life of 1.45 (October 31, 2019 - 1.68) years.

d) Warrants – continued

| Expiry Date | Number of Warrants | Exercise Price |
|---|---|---|
| | | $ |
| March 14, 2020 (i) | 4,612,500 | 0.20 |
| October 23, 2020 (ii) | 250,000 | 0.10 |
| January 30, 2022 | 1,342,500 | 0.30 |
| June 17, 2022 | 2,050,000 | 0.16 |
| July 11, 2022 | 50,000 | 0.20 |
| September 6, 2022 | 3,190,063 | 0.25 |

(i) If during the exercise period of the warrants, but after the resale restrictions on the shares have expired, the Company's shares trade at or above a weighted average trading price of $0.40 per share for 15 consecutive trading days, the Company may accelerate the expiry time of the warrants by giving written notice to warrant holders that the warrants will expire 30 days from the date of providing such notice. The warrants expired unexercised subsequent to period end.

(ii) As for (i) except $0.20 per share.

## 8) RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount agreed to by the related parties.

As at January 31, 2020, the Company owed $75,953 (October 31, 2019 - $99,439) to related parties as follows:

(i) $17,610 (October 31, 2019 - $37,332) in management fees and $4,790 (October 31, 2019 - $658) in administration fees to a company controlled by the current chairman of the board;
(ii) $Nil (October 31, 2019 - $7,896) in management fees to the former President of the Company;
(iii) $8,250 (October 31, 2019 - $8,250) in management fees to a company controlled by the current CFO;
(iv) $45,303(October 31, 2019 - $45,303) to the former CEO of the Company for management fees; and

During the three months ended January 31, 2020, the Company incurred interest expense of $2,778 (Three months ended January 31, 2019 - $1,753) on loans payable to directors of the Company.

Key management compensation
During the three months ended January 31, 2020, the Company paid or accrued compensation to key management, or companies controlled by them, totalling $123,166 (2019 - $76,186). Of this amount:

(i) $8,250 (2019 - $Nil) in management fees to a company controlled by the current CFO;
(ii) $69,916 (2019 - $Nil) in management fees and $5,002 (2019 - $Nil) in administration fees to a company controlled by the current chairman of the board;
(iii) $45,000 (2019 - $Nil) in management fees to a company controlled by the CEO;
(iv) $Nil (2018 - $19,500) for salary to the former interim CEO and corporate secretary of the Company;
(v) $Nil (2019 - $17,444) in management fees to the former CFO of the Company;
(vi) $Nil (2018 - $30,041) in management fees to the former CEO of the Company; and
(vii) $Nil (2019 - $7,896) in management fees to the former CEO of the Company's subsidiary.

During the three months ended January 31, 2020, $Nil (2019 - $25,023) was paid for project related exploration (a soil sampling program) to a company controlled by the CEO of the Company and $14,000 (2018 - $Nil in share-based compensation related to 200,000 common shares issued to the estate of the former CEO of the subsidiary.

On October 1, 2019, the Company entered into a consulting agreement with a company whereby the company's director was retained to perform executive, technical, managerial and consulting services as directed by the Company's Board of Directors (the "Board"), to act as executive chair of the Company, to serve as a director of the Company and to hold such additional offices to which he may be appointed by the Company or any subsidiary of the Company. The agreement is effective September 1, 2019 for a term of one year with automatic renewals of consecutive one-year terms. Pursuant to the agreement, the consultant will receive a consulting fee at the base rate of US$144,000 per annum, payable in equal monthly instalments of US$12,000.

On October 1, 2019, the Company entered into a consulting agreement with a company whereby the company's president was retained to perform executive, managerial and consulting services as directed by the Company's Board, to act as president and chief executive officer of the Company, to serve as a director of the Company and to hold such additional offices to which he may be appointed by the Company or any subsidiary of the Company. The agreement is effective October 1, 2019 for a term of one year with automatic renewals of consecutive one-year terms. Pursuant to the agreement, the consultant will receive a consulting fee at the base rate of $180,000 per annum, payable in equal monthly instalments of $15,000.

**8) RELATED PARTY TRANSACTIONS - Continued**

Pursuant to the agreements:

(i) The annual base rates are subject to increase at the Board's discretion;
(ii) The consultants are entitled to receive an annual bonus as determined at the Board's discretion;
(iii) The consultants are entitled to participate in the Company's stock option plan;
(iv) The consultants may terminate the agreements upon three months written notice and will receive a termination payment equal to the then applicable base rate per annum if terminated for other than cause; and
(v) If at any time during the term of the agreements there is a change of control (as defined) and the contracts are terminated within six months of the date of change of control, the consultants will receive an amount equal to two times both the then applicable base rate and any bonus paid or payable in respect of the Company's most recently completed financial year.

On November 1, 2019, the Company entered into an employment contract with its corporate secretary for a term of one year with automatic renewals. Pursuant to the agreement, the corporate secretary will:

(i) Receive a severance benefit equal to three times his current monthly salary, which shall increase by one month per year to a maximum of six months. In addition, his coverage under employee benefit programs will continue for an equal period of time unless the Company elects to pay a lump sum cash payment equal to the projected cost of maintaining him in such programs in lieu; and
(ii) If at any time during the term of the agreement there is a change of control (as defined) and his employment is terminated within six months of the date of change of control, he will receive an amount equal to six times his current monthly salary, which will increase by one month per year to a maximum of 12 months and benefits for the same period in lieu of notice, severance, damages or other payments.

**10) CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its projects. In the management of capital, the Company includes the components of shareholders' equity, as well as cash and cash equivalents. There are no external restrictions on the use of the Company's capital.

The Company manages its 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 issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets, and its ability to compete for investment or support of its projects.

## 11) FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Financial instruments
Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3: Inputs that are not based on observable market data.

Cash is measured using Level 1. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the year, there were no transfers between Level 1, Level 2 and Level 3 classified assets and liabilities.

The Company's financial instruments are exposed to certain financial risks, including the following:

Financial risk factors

*Credit risk*
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with two major banks in Canada. As most of the Company's cash is held by three banks, there is a concentration of credit risk. This risk is managed by using major banks that are high credit, quality financial institutions as determined by rating agencies.

*Liquidity risk*
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining a sufficient cash balance. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at January 31, 2020, the Company had cash of $567,969 to settle current liabilities of $270,011. The Company is subject to significant liquidity risk.

*Foreign currency risk*
The Company's functional currency is the Canadian dollar; however, there are expenses, assets, and liabilities in US dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. As at January 31, 2020, the Company had cash balances of US$32,971 (October 31, 2019 - US$457,992, loans payable of US$27,149 (October 31, 2019 – US$N26,617, and accounts payable and accrued liabilities of US$23,197 (October 31, 2019 – US$247,365). The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

## 12) COMMITMENTS AND CONTINGENCIES

Commitments related to the Property are disclosed in Note 5. The Company has no other commitments that extend more than 12 months into the future.

The Company has corporate credit cards with limits totalling $30,000. The guaranteed investment certificate ("GIC") is being held as security for the credit cards by the bank. The GIC matures on October 21, 2020 and has an interest rate of 1%.

**13) SUBSEQUENT EVENTS**

The following transactions occurred subsequent to the period-end:

(i) On February 13, 2020, the Company closed the final tranche of the non-brokered private placement. In connection with the closing of the final tranche, the Company issued a total of 3,512,065 units of the Company at a price of $0.20 per unit for gross proceeds of $702,413. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $0.30 until February 13, 2022. On closing, the Company paid a cash commission of $13,500, representing 6% of the proceeds raised in respect of a portion of the private placement.

The common shares and warrants issued in connection with the final tranche of the private placement and the common shares issuable upon exercise of warrants are subject to a hold period expiring June 14, 2020. The private placement was approved by the TSX Venture Exchange on February 18, 2020.

(ii) On February 24, 2020, the Company, through its US subsidiary Blackrock Gold Corp., (the "optionee") entered into an option agreement (the "Agreement") pursuant to which it was granted the sole and exclusive right and option to purchase 100% of 17 unpatented and 97 patented mining claims, existing data and all appurtenances, easements, improvements, rights-of-way and other real property rights relating to such claims (collectively, the "Property") and any additional data, information and records regarding the property acquired by the optionor during the option period for a total purchase price of US$3,000,000. The option will remain in force during the term of the Agreement from the effective date to and including the first to occur of (a) the optionee's exercise and closing of the option; (b) the termination of the Agreement; or (c) four years from the Initial Closing Date. Pursuant to the Agreement, the optionee must pay all mining claim maintenance and rental fees and pay the purchase price by making the following cash option payments:

i. On Initial Closing Date, US$325,000;
ii. 1st Anniversary of the Initial Closing Date, US$325,000;
iii. 2nd Anniversary of the Initial Closing Date, US$650,000;
iv. 3rd Anniversary of the Initial Closing Date, US$700,000; and
v. 4th Anniversary of the Initial Closing Date, US$1,000,000.

If the option is exercised, the optionor will be granted a 3% net smelter returns mineral production royalty in respect of all products produced from the claims. During the option period and following the option exercise if the option is closed and unless otherwise agreed to by the parties, if either party or an affiliate acquires, directly or indirectly, any additional mining claims, located wholly or partly within the after-acquired interest ("AOI"), the AOI will be included in and form part of the Property and will be subject to the Agreement. If any unpatented mining claims or other property interests are or become subject to any third-party royalty or other royalty obligations that existed prior to closing, the royalty will be reduced so that the total royalty percentage on each of the mining claims or real property interests comprising the Property does not exceed 3%.

The optionee can terminate the Agreement by providing written notice and will have no obligation to make any further option payments.