

Condensed Interim Financial Statements
(Expressed in Canadian dollars)

VENDETTA MINING CORP.

Nine months ended February 29, 2020 and February 28, 2019

(Unaudited – prepared by management)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by the Company's auditors.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

VENDETTA MINING CORP.

Condensed Interim Statement of Financial Position
(Unaudited – expressed in Canadian dollars)

	As at February 29, 2020	As at May 31, 2019
Assets		
Current assets:		
Cash	\$ 188,935	\$ 76,006
Receivables	54,303	14,463
Prepaid expenses and advances (Note 4)	55,227	22,015
Loans to related parties (Note 11)	211,265	-
	509,730	112,484
Equipment (Note 5)	1,508	2,224
Exploration and evaluation assets (Note 6)	6,011,183	6,011,183
Deferred financing costs (Note 9)	750	750
	\$ 6,523,171	\$ 6,126,641
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 345,185	\$ 903,766
Current portion of long-term debt (Note 7)	869,184	167,076
	1,214,369	1,070,842
Loans from related parties (Note 11)	182,000	279,958
Long-term debt (Note 7)	2,126,142	2,502,679
Other liabilities (Note 11)	283,565	-
	3,806,076	3,853,479
Shareholders' equity:		
Share capital (Note 9)	18,431,719	16,849,192
Obligation to issue shares (Note 9)	257,827	216,000
Subscriptions received in advance (Note 9)	189,500	270,250
Reserves (Note 9)	1,715,165	1,624,157
Deficit	(17,877,116)	(16,686,437)
	2,717,095	2,273,162
	\$ 6,523,171	\$ 6,126,641

Nature of operations and going concern (Note 1)

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

Approved on behalf of the Board:

“Michael J. Williams” Director

“Peter Voulgaris” Director

VENDETTA MINING CORP.

Condensed Interim Statement of Loss and Comprehensive Loss
(Unaudited – expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Feb 29, 2020	Feb 28, 2019	Feb 29, 2020	Feb 28, 2019
Expenses:				
Accounting and legal (Note 11)	\$ 16,944	\$ 12,931	\$ 57,483	\$ 71,521
Amortization (Note 5)	238	235	716	713
Business development	1,337	-	6,509	2,500
Consulting (Note 11)	-	13,750	-	48,000
Director fees (Note 11)	-	8,250	10,500	24,750
Exploration expenditures (Notes 6 and 11)	12,827	166,843	270,536	1,641,664
Filing and transfer agent fees	3,981	2,920	14,614	10,773
Financing costs	170,905	-	504,018	-
Foreign exchange	45,425	(96)	(11,079)	19,392
Insurance	2,500	3,715	7,500	11,229
Investor relations	26,801	76,701	164,906	177,037
Management fees (Note 11)	39,750	37,500	114,750	112,500
Office and administration (Note 11)	20,275	20,848	69,218	73,256
Share-based payments (Notes 9 and 11)	-	147,885	91,008	489,293
Travel and meals	-	4,621	-	23,715
	(340,983)	(496,103)	(1,300,679)	(2,706,343)
Recovery on settlement of accounts payable	30,000	-	110,000	-
Loss and comprehensive loss for the period	\$ (310,983)	\$ (496,103)	\$ (1,190,679)	\$ (2,706,343)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding	174,266,444	152,849,833	171,635,559	112,623,486

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

VENDETTA MINING CORP.

Condensed Interim Statement of Changes in Equity
(Unaudited – expressed in Canadian dollars)

	Number of shares (Note 9)	Share capital (Note 9)	Obligation to issue shares	Share subscriptions received	RESERVES		Deficit	Total equity
					Share option reserves	Warrant and other reserves		
May 31, 2018	144,861,491	14,765,061	\$ -	\$ (20,000)	\$ 1,098,041	169,869	(13,536,843)	2,476,128
Private placement	12,099,121	2,177,842	-	-	-	-	-	2,177,842
Warrants exercised	-	-	-	20,000	-	-	-	20,000
Share issuance costs	-	(93,711)	-	-	-	-	-	(93,711)
Share-based payments	-	-	-	-	489,293	-	-	489,293
Loss and comprehensive loss for the period	-	-	-	-	-	-	(2,706,343)	(2,706,343)
February 28, 2019	156,960,612	16,849,192	-	-	1,587,334	169,869	(16,243,186)	2,363,209
Vesting of performance share units	-	-	216,000	-	-	(216,000)	-	-
Share subscriptions received in advance	-	-	-	270,250	-	-	-	270,250
Share-based payments	-	-	-	-	(205,054)	288,008	-	82,954
Loss and comprehensive loss for the period	-	-	-	-	-	-	(443,251)	(443,251)
May 31, 2019	156,960,612	16,849,192	216,000	270,250	1,382,280	241,877	(16,686,437)	2,273,162
Private placement	17,305,832	1,615,250	-	(270,250)	-	-	-	1,345,000
Share subscriptions received in advance	-	-	-	189,500	-	-	-	189,500
Shares for debt	-	-	41,827	-	-	-	-	41,827
Share issuance costs	-	(32,723)	-	-	-	-	-	(32,723)
Share-based payments	-	-	-	-	33,228	57,780	-	91,008
Loss and comprehensive loss for the period	-	-	-	-	-	-	(1,190,679)	(1,190,679)
February 29, 2020	174,266,444	\$ 18,431,719	\$ 257,827	\$ 189,500	\$ 1,415,508	\$ 299,657	\$ (17,877,116)	\$ 2,717,095

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

VENDETTA MINING CORP.

Condensed Interim Statement of Cash Flows
(Unaudited – expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Feb 29, 2020	Feb 28, 2019	Feb 29, 2020	Feb 28, 2019
Cash flows used in operating activities:				
Loss for the period	\$ (310,983)	\$ (496,103)	\$ (1,190,679)	\$ (2,706,343)
Items not affecting cash:				
Amortization	238	235	716	713
Financing costs	170,905	-	504,018	-
Foreign exchange	45,718	-	(11,723)	-
Share-based payments	-	147,885	91,008	489,293
	(94,122)	(347,983)	(606,660)	(2,216,337)
Changes in non-cash working capital:				
Receivables	(25,165)	18,778	(39,840)	31,920
Prepaid expenses and advances	(21,141)	(6,754)	(33,212)	(47,825)
Loan to related parties	-	-	(211,265)	-
Accounts payable and accrued liabilities	105,640	22,751	(236,292)	107,927
	(34,788)	(313,208)	(1,127,269)	(2,124,315)
Cash flows used in investing activities:				
Exploration and evaluation asset acquisition	-	132	-	(1,054,379)
	-	132	-	(1,054,379)
Cash flows from financing activities:				
Loan repayment to related parties	-	-	(97,958)	-
Interest on long-term debt	(72,401)	-	(146,279)	-
Transaction costs on long-term debt	(14,705)	-	(17,342)	-
Private placement	-	-	1,345,000	2,177,842
Subscriptions received	153,182	10,000	189,500	20,000
Share issuance costs	(750)	102,596	(32,723)	(72,242)
	65,326	# 112,596	1,240,198	2,125,600
Increase (decrease) in cash	30,538	(200,480)	112,929	(1,053,094)
Cash, beginning of period	158,397	220,427	76,006	1,073,041
Cash, end of period	\$ 188,935	\$ 19,947	\$ 188,935	\$ 19,947
Supplemental schedule of non-cash investing and financing activities:				
Transaction costs on long-term debt in accounts payable	\$ -	\$ -	\$ 3,103	\$ -
Shares for debt	\$ -	\$ -	\$ 41,827	\$ -

There was no cash paid for income taxes or interest for the years presented.

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

VENDETTA MINING CORP.

Notes to Condensed Interim Financial Statements
(Unaudited – expressed in Canadian dollars)

Nine months ended February 29, 2020 and February 28, 2019

1. Nature of operations and going concern:

Vendetta Mining Corp. (“the Company” or “Vendetta”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on December 14, 2009. The Company is in the business of exploration and evaluation of mineral resources in Australia. Its common shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol VTT. The Company’s registered address is: Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

The Company is an exploration stage company and engages principally in the acquisition and exploration of resource properties. The recoverability of the amounts shown for exploration and evaluation assets is ultimately dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, entering into agreements with others to explore and develop the resource properties, and upon future profitable production or proceeds from disposition of the resource properties. The amounts shown as exploration and evaluation assets represent net costs incurred to date, less amounts recovered from third parties and/or written-off, and do not necessarily represent present or future values.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business.

The Company has a history of losses with no operating revenue other than interest income and has an accumulated deficit. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and evaluation activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. The Company estimates that it does not have sufficient funding for the ensuing 12 months of operations. These matters indicate the existence of material uncertainties that raise substantial doubt about the Company’s ability to continue as a going concern.

These condensed interim financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. Significant accounting policies:

(a) Basis of presentation:

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Unless otherwise stated, amounts are expressed in Canadian dollars.

These condensed interim financial statements were authorized for issuance by the Board of Directors on April 29, 2020.

VENDETTA MINING CORP.

Notes to Condensed Interim Financial Statements
(Unaudited – expressed in Canadian dollars)

Nine months ended February 29, 2020 and February 28, 2019

2. Significant accounting policies (continued):

(b) Use of estimates and judgments:

The preparation of the condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the condensed interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments

The Company has granted certain employees of the Company PSU's to be settled in shares of the Company. The fair value of the estimated number of PSUs that will eventually vest, determined at the date of grant, is recognized as share-based payment expense over the vesting period, with a corresponding amount recorded as equity. The fair value of the PSUs is estimated using the market value of the underlying shares as well as assumptions related to the performance conditions at the grant date.

Derivative liability

The Company had an obligation under the Nebari Loan (Note 7) that is valued relative to the Company's share price and has measured such obligation as a derivative liability in reference to the Company's share price.

Critical accounting judgments

Examples of significant judgments, apart from those involving estimation, include:

Exploration and evaluation assets

Management is required to make judgments on the status of each resource property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

Functional currency

The Company applied judgment in determining its functional currency. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

VENDETTA MINING CORP.

Notes to Condensed Interim Financial Statements
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Nine months ended February 29, 2020 and February 28, 2019

2. Significant accounting policies (continued):

(c) Foreign currency transactions:

The presentation currency and functional currency of the Company is the Canadian dollar. Transactions of the Company denominated in other currencies are translated into the relevant functional currency using the exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each balance sheet date to reflect exchange rates prevailing at that date and the related foreign exchange gains or losses are recognized in profit or loss.

3. New standards and interpretations yet to be adopted:

Accounting policies used in the preparation of these condensed interim financial statements are consistent with those described in the Company's audited annual financial statements for the year ended May 31, 2019, except for the following change to IFRS, which were adopted as at June 1, 2019:

IFRS 16, Leases: This new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term of longer than 12 months. The Company has no leases as at February 29, 2020, therefore the adoption of IFRS 16 did not have a material impact on the Company's condensed interim financial statements.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Prepaid expenses and advances:

Included in prepaid expenses and advances are:

	February 29, 2020	May 31, 2019
Prepaid expenses	\$ 55,227	\$ 22,015
	\$ 55,227	\$ 22,015

5. Equipment:

	Computer equipment
Cost, May 31, 2018 and 2019	\$ 4,953
Additions	-
Cost, February 29, 2020	4,953
Accumulated amortization, May 31, 2018	\$ (1,775)
Amortization for the year	(954)
Accumulated amortization, May 31, 2019	(2,729)
Amortization for the period	(716)
Accumulated amortization, February 29, 2020	(3,445)
Net book value, May 31, 2019	\$ 2,224
Net book value, February 29, 2020	\$ 1,508

VENDETTA MINING CORP.

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Nine months ended February 29, 2020 and February 28, 2019

6. Exploration and evaluation assets:

The Company's resource property with associated acquisition-related costs that has been capitalized and reflected on the statement of financial position is as follows:

	Pegmont, Queensland, Australia
Balance, May 31, 2018	\$ 1,753,316
Additions – option and extension payments	1,373,145
Additions – advance royalty payment	2,824,200
Additions – other	<u>60,522</u>
Balance, May 31, 2019 and February 29, 2020	<u>6,011,183</u>

Pegmont Property, Queensland, Australia

In August 2014 the Company entered into an agreement, subsequently amended in December 2015, February 2018, November 2018 and March 2019 with Pegmont Mines Limited ("Pegmont") whereby the Company has an option to acquire 100% of the Pegmont property comprising of certain mining leases and exploration tenements by a combination of cash payments, exploration commitments and advanced royalty payments.

As at May 31, 2019, the Company has, pursuant to the amended agreement, met the required cash option payments totaling AUD\$2.25 million (paid CAD\$2,208,980) as well as an extension fee of AUD\$10,000 (CAD\$10,062). In addition, the Company reimbursed Pegmont for AUD\$350,000 (paid CAD\$356,681) of exploration expenses that they incurred during 2014; these expenditures will be applied to the overall expenditure requirements.

Exploration expenditures for the property during the first 3 years of the option comprised a minimum of AUD\$800,000 per year or meeting minimum requirements by the State of Queensland (whichever is greater) by August 10th of each year for a total minimum commitment of AUD\$3.0 million (completed). A minimum 17,000 m of drilling was also completed by August 2018. The Company remains subject to annual minimum requirements of A\$600,000 by the State of Queensland to keep the property in good standing.

In connection with the Company exercising the option and as part of the final transfer of project titles, the Company also paid an advance royalty to Pegmont of AUD\$3 million (CAD\$2,824,200) and extension fees totaling AUD\$450,000 (CAD\$425,545) during the year ended May 31, 2019 to fully satisfy remaining requirements and complete its 100% acquisition of the Pegmont property. The Company received a royalty credit of the cash option payments of AUD\$2.25 million and advanced royalty of AUD\$3 million for a total of AUD\$5.25 million, to be credited against future royalty payments.

Pegmont will retain a royalty right on future concentrate production from the property of 1.25% of net smelter return, subject to the credit of AUD\$5.0 million in favour of the Company. In the case where ore is sold rather than concentrate, a separate royalty formula allows for a royalty of AUD\$1.05 per tonne of ore sold, indexed to lead prices and to be conveyed to Pegmont, again subject to the AUD\$5.0 million credit. Where ore that is sold contains silver at concentrations above 64 ppm, an additional royalty amount is payable, starting at AUD\$0.06 per gram, indexed to the price of silver.

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6. Exploration and evaluation assets (continued):

Pegmont Property, Queensland, Australia (continued)

Exploration expenditures are as follows:

	Nine months ended February 29, 2020	Nine months ended February 28, 2019
Analysis	\$ 31,710	\$ 87,718
Drilling	-	382,692
Field supplies and equipment	1,558	48,098
Geological consulting	168,884	304,682
Geophysics	-	12,438
Maps and reports	-	219,873
Meals and accommodations	3,300	50,491
Permitting	4,916	4,764
Preliminary economic analysis	2,671	413,114
Project management	35,000	33,197
Staking	-	43,000
Taxes	12,752	-
Transportation	9,745	41,597
Total for the period	\$ 270,536	\$ 1,641,664

7. Long-term debt:

On May 9, 2019, the Company entered into a US\$2,556,818 loan agreement (“Nebari Loan”), subsequently amended in August 2019 and November 2019, with Nebari Natural Resources Credit Fund I, LP (“Nebari”). The amount funded was US\$2,250,000 (CAD\$3,032,100), representing an original issue discount of 12%. The Nebari Loan bears an interest rate of the three-month London interbank offered rate (“LIBOR”) plus 6.0% per annum, with a LIBOR “floor” of 2.5%, and will mature on May 6, 2021. Principal repayments will commence on April 30, 2020 and each anniversary thereafter, at 6.25% of the principal outstanding at April 30, 2020, including all interest paid in-kind and original issue discount, and is payable at any amount from 50% to 100% of the amount due, at the Company’s discretion; any remaining unpaid interest will be capitalized and added to the principal amount of the loan, payable upon maturity. Interest will accrue monthly, computed on the basis of a 360-day year, and is payable quarterly in arrears beginning on September 30, 2019; pursuant to the August 2019 amended agreement, interest accrued to September 30, 2019 that originally could be paid in-kind is now required to be paid in cash. During the period ended February 29, 2020, the Company paid \$146,279 (US\$110,422) in interest. An additional US\$54,404 was paid subsequent to February 29, 2020. The loan is secured by the assets of the Company.

Should the Company complete a listing on an exchange other than the TSX-V, Nebari shall have the right to convert the debt and accrued interest into common shares of the Company at a conversion of 120% of the listing price, after a black-out period of four months from the date of listing. No value has been attributed to this contingent conversion feature.

VENDETTA MINING CORP.

Notes to Condensed Interim Financial Statements
(Unaudited – expressed in Canadian dollars)

Nine months ended February 29, 2020 and February 28, 2019

7. Long-term debt (continued):

Upon maturity and full repayment of the loan, a repayment bonus is payable to Nebari, to be calculated, pursuant to the amended agreement, as 30% of the funded amount, multiplied by the ratio of the Company's market capitalization the day prior to repayment divided by the Company's capitalization on May 6, 2019, minus one (the "Repayment Bonus"). At the closing date of the Nebari Loan, the Company recognized a Repayment Bonus of US\$67,500 (\$90,963), which has been classified as a derivative liability (Note 8). In connection with the Nebari Loan, the Company paid transaction costs of \$340,861, comprising a closing fee of 3.0% of the funded amount (US\$67,500 or CAD\$90,823), technical and other due diligence costs of US\$130,000 (CAD\$174,919), and other transaction costs of \$74,979. The Repayment Bonus and transaction costs are being amortized into profit or loss over the estimated term of the Nebari Loan, being the legal term, at an effective interest rate of 22.76% (May 31, 2019 – 22.34%).

The Nebari Loan is subject to standard events of default, as well as a requirement to maintain, as amended in November 2019, at the end of each calendar quarter, an adjusted working capital deficit (defined per the amendment as: current assets minus current liabilities, plus the current portion of long-term debt, minus the quarterly principal payment due on April 30, 2020 multiplied by four) of no more than \$100,000. In addition, Nebari also agreed to waive the Company's compliance with the adjusted working capital deficit covenant through January 31, 2020 provided certain conditions are met. The Company is actively monitoring and working with Nebari to address its working capital provisions.

	February 29, 2020	May 31, 2019
Opening Balance	\$ 2,669,755	\$ -
Loan advance	-	3,445,568
Discount on issuance	-	(413,468)
Repayment bonus	-	(90,963)
Transaction costs	(20,445)	(320,416)
Interest payment	(146,279)	-
Interest accrued	217,784	19,506
Accretion of transaction costs and repayment bonus	286,234	23,795
Foreign exchange	(11,723)	5,733
Ending Balance	\$ 2,995,326	\$ 2,669,755
Current portion	\$ 869,184	\$ 167,076
Long-term portion	\$ 2,126,142	\$ 2,502,679

8. Derivative liability:

In accordance with IFRS, as the measurement of the Repayment Bonus pursuant to the Nebari Loan (Note 7) is dependent on the Company's future market capitalization, Company has recognized a derivative liability, which was designated as a financial liability carried at fair value through profit or loss. On May 7, 2019, the derivative liability was determined to be \$90,963 (US\$67,500). As at May 31, 2019 and February 29, 2020, the derivative liability had a fair value of \$nil. The Company has recorded the resulting change in fair value of \$nil (2018 - \$nil) in the statement of loss and comprehensive loss.

VENDETTA MINING CORP.

Notes to Condensed Interim Financial Statements
(Unaudited – expressed in Canadian dollars)

Nine months ended February 29, 2020 and February 28, 2019

9. Share capital:

(a) Authorized:

Unlimited common shares without par value.

(b) Share issuances:

2020 transactions

On June 5, 2019, the Company completed a non-brokered private placement of 5,772,500 units at a price of \$0.10 per unit for gross proceeds of \$577,250, of which \$270,250 had been received at May 31, 2019 and \$20,000 remains receivable at February 29, 2020. Each unit was comprised of one common share and one-half share purchase warrant, each whole warrant exercisable into one additional common share at a price of \$0.15 per share for a period of two years. In connection with the private placement, the Company paid finders fees of \$1,600 and other share issuance costs of \$20,451, of which \$750 had been deferred at May 31, 2019.

On July 30, 2019, the Company completed the first tranche of a non-brokered private placement, consisting of 11,533,332 units at a price of \$0.09 per unit for gross proceeds of \$1,038,000. Each unit was comprised of one common share and one share purchase warrant, each warrant exercisable into one additional common share at a price of \$0.13 per share for a period of three years. In connection with the private placement, the Company paid finders fees of \$3,600 and other share issuance costs of \$7,072.

During the period ended February 29, 2020, the Company entered into an agreement with a vendor, whereby the vendor agreed to receive common shares equivalent to \$41,827 (A\$46,875) in settlement of an outstanding payable. The Company has recorded \$41,827 as obligation to issue shares as at February 29, 2020.

On February 11, 2020, the Company announced a proposed non-brokered private placement of up to 11,000,000 units at a price of \$0.50 per unit for gross proceeds of up to \$550,000. Each unit will be comprised of one common share and one share purchase warrant, each warrant exercisable into one additional common share at a price of \$0.075 per share for a period of three years. At February 29, 2020, the Company had received \$189,500 in advance subscriptions.

2019 transactions

During the year ended May 31, 2019, the Company completed a non-brokered private placement of 12,099,121 units for gross proceeds of \$2,177,842. Each unit was comprised of one common share and one-half share purchase warrant, each whole warrant exercisable into one additional common share at a price of \$0.30 per share for a period of two years. In connection with the private placement, the Company paid finders fees of \$60,174 and incurred other issuance costs of \$33,537.

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Notes to Condensed Interim Financial Statements
(Unaudited – expressed in Canadian dollars)

Nine months ended February 29, 2020 and February 28, 2019

9. Share capital (continued):

(c) Warrants:

Details of activity in warrants for the nine months ended February 29, 2020 and year ended May 31, 2019 are as follows:

Number outstanding May 31, 2019	Granted	Exercised	Expired/ Cancelled	Number outstanding Feb 29, 2020	Exercise price per share	Expiry date
4,864,444	-	-	-	4,864,444	\$ 0.30	Sept 21, 2020
1,185,116	-	-	-	1,185,116	0.30	Oct 17, 2020
-	2,886,250	-	-	2,886,250*	0.13	June 3, 2022
-	11,533,332	-	-	11,533,332	0.13	July 30, 2022
6,049,560	14,419,582	-	-	20,469,142		
\$0.30	\$0.13	-	-	\$0.18	(weighted average exercise price)	

* amended on February 21, 2020 from an original exercise price of \$0.15 and original expiry date of June 3, 2021

Number outstanding May 31, 2018	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2019	Exercise price per share	Expiry date
11,263,328	-	-	(11,263,328)	-	\$ 0.30	May 1, 2019
-	4,864,444	-	-	4,864,444	0.30	Sept 21, 2020
-	1,185,116	-	-	1,185,116	0.30	Oct 17, 2020
11,263,328	6,049,560	-	(11,263,328)	6,049,560		
\$0.30	\$0.30	-	\$0.30	\$0.30	(weighted average exercise price)	

(d) Stock options:

The Company has a stock option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements but permits the board of directors to specify a vesting schedule in its discretion.

Details of activity in share purchase options for the nine months ended February 29, 2020 and year ended May 31, 2019 are as follows:

Number outstanding May 31, 2019	Granted	Exercised	Expired/ Cancelled	Number outstanding Feb 29, 2020	Number exercisable	Exercise price per share	Expiry date
5,075,000	-	-	-	5,075,000	5,075,000*	\$ 0.15	Dec 15, 2021
4,850,000	-	-	-	4,850,000	4,850,000*	0.30	Oct 17, 2022
9,925,000	-	-	-	9,925,000	9,925,000*		
\$0.22	-	-	-	\$0.22	\$0.22	(weighted average exercise price)	

* subsequent to February 29, 2020, all options were cancelled unexercised.

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Nine months ended February 29, 2020 and February 28, 2019

9. Share capital (continued):

(d) Stock options (continued):

Number outstanding May 31, 2018	Granted	Exercised	Expired/ Cancelled	Number outstanding May 31, 2019	Number exercisable	Exercise price per share	Expiry date
1,125,000	-	-	(1,125,000)	-	-	\$ 0.25	Oct 20, 2018
5,075,000	-	-	-	5,075,000	5,075,000	0.15	Dec 15, 2021
4,850,000	-	-	-	4,850,000	3,637,500	0.30	Oct 17, 2022
11,050,000	-	-	(1,125,000)	9,925,000	8,712,500		
\$0.23	-	-	\$0.25	\$0.22	\$0.21	(weighted average exercise price)	

The fair values of the stock options used to calculate compensation expense for both employees and non-employees for the options granted is estimated using the Black-Scholes pricing model. The weighted average fair value per option granted during the nine months ended February 29, 2020 was \$nil (2018 – \$nil). During the nine months ended February 29, 2020, the Company recognized \$33,230 (2019 - \$246,785) in share-based payments for the fair value of the vesting portion of the stock options that were granted in current and prior periods. The following weighted average assumptions used in the calculation of fair value are as follows:

	Nine months ended February 29, 2020	Nine months ended February 28, 2019
Risk-free interest rate	N/A	N/A
Expected volatility	N/A	N/A
Expected life of options	N/A	N/A
Expected dividend yield	N/A	N/A
Forfeiture rate	N/A	N/A

(e) Performance share units:

During the year ended May 31, 2018, the Company granted 2,700,000 PSU to the Company's directors. The PSU represent the right to receive common shares of the Company upon vesting of the PSU based on performance milestones approved by the Board of Directors related to the Company's development of its Pegmont property. The PSU expire on May 10, 2020.

	PSU
Balance outstanding, May 31, 2018 and 2019	2,700,000
Granted	-
Balance outstanding, February 29, 2020	2,700,000
Balance exercisable, February 29, 2020	1,080,000

As the performance conditions of the PSU granted were not market-related, the fair value per PSU used to calculate compensation expense for the PSU granted is determined to be \$0.20, equal to the market price on the date of grant. During the nine months ended February 29, 2020, the Company recognized \$57,780 (2019 - \$242,508) in share-based payments for the fair value of the vesting portion of the PSU that were granted in prior periods.

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9. Share capital (continued):

(e) Performance share units (continued):

During the year ended May 31, 2019, 1,080,000 PSU vested upon the achievement of related performance milestones. Therefore, at May 31, 2019 and February 29, 2020, the Company has recorded a total obligation to issue shares of \$216,000, based on 1,080,000 PSU vesting at a fair value of \$0.20 per PSU.

10. Segmented information:

The Company's business consists of one reportable segment being resource exploration. Details about geographic areas as at February 29, 2020 and May 31, 2019 are as follows:

Non-current assets	February 29, 2020	May 31, 2019
Australia	\$ 6,011,183	\$ 6,011,183
Total	\$ 6,011,183	\$ 6,011,183

11. Related party transactions:

Key management personnel consist of directors and senior management including the President and Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

The Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	Nine months ended February 29, 2020	Nine months ended February 28, 2019
Management fees, consulting fees, office administration and accounting fees to key management personnel or companies controlled by key management personnel	\$ 154,250	\$ 148,500
Directors fees to directors or companies controlled by directors	10,750	24,750
Geological consulting fees to a company controlled by a director	90,000	135,000
Office, administration, rent and accounting costs to companies controlled by key management	31,455	40,575
Share-based compensation related to stock options	26,721	198,990
Share-based compensation related to PSU	57,780	242,508
Total	\$ 370,956	\$ 790,323

During the year ended May 31, 2019, the Company borrowed \$182,000 from a company with an officer and director in common. The loan does not bear interest and has a term of 25 months (amended from 12 months during the nine months ended February 29, 2020); the lender retains the right to demand early payment of the loan by providing 30 days written notice.

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Nine months ended February 29, 2020 and February 28, 2019

11. Related party transactions (continued):

During the year ended May 31, 2019, the Company borrowed AUD\$100,000 from an officer and accrued interest and fees of AUD\$4,500, for a total owing of AUD\$104,500 (\$97,958) as at May 31, 2019. The loan was repaid in full during the nine months ended February 29, 2020.

During the nine months ended February 29, 2020, the Company loaned \$211,265 to two officers. The loans do not bear interest and are repayable on demand with 30 days written notice. The Company also entered into agreements with the same officers wherein they waived their rights to \$283,565 due to them for management fees, geological consulting fees, and office administration as at February 29, 2020 for a period of 12 months.

Included in accounts payable and accrued liabilities is \$35,121 (May 31, 2019 - \$152,465) due to directors, management, or companies controlled by them and former related parties. Amounts due to related parties are unsecured, have no fixed terms of repayment, and are non-interest bearing. At February 29, 2020, the Company has recorded \$nil (May 31, 2019 - \$1,943) in prepaid expenses and advances to related parties.

12. Financial instruments:

The Company's cash is classified at amortized cost. The carrying values of receivables, accounts payable and accrued liabilities, and loans from related parties approximate their fair values due to their short terms to maturity. The Company's derivative liability is classified as Level 2 of the fair value hierarchy. Long-term debt bears interest at variable rates and fair value approximates carrying values as interest charges fluctuate with changes in the LIBOR.

(a) Financial risk factors and capital management:

Credit risk

Credit risk arises from the possibility that counterparties may be unable to fulfill their commitments to the Company. The Company's credit risk is primarily attributable to its cash and receivables. The carrying value of this instrument represents the Company's maximum exposure to credit risk. The Company manages and limits exposure to credit risk by maintaining its cash with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper. Receivables are primarily due from a government agency.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 12(b) of these condensed interim financial statements. The Company's expenditure commitments, pursuant to option agreements related to resource properties, are disclosed in Note 6. The Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The Company does not have any significant interest-bearing financial assets.

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12. Financial instruments (continued):

(a) Financial risk factors and capital management (continued):

Interest rate risk (continued)

The Company's Nebari Loan (Note 7) is interest-bearing debt at a variable rate. A 10% change in the LIBOR would result in an increase of up to \$3,338 in the net loss realized for the period. Changes to the LIBOR could have a more substantial impact in the future.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company's functional and presentation currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of shareholders' equity. The Company's main risks are associated with fluctuations in the Australian dollar due to transactions related to Pegmont, as well as the Nebari Loan (Note 7) which is denominated in US dollars.

Foreign assets and liabilities are translated based on the foreign currency translation method described in Note 2(c). A 10% change in the foreign exchange rate between the Canadian and U.S. and Australian dollar would result in a fluctuation of \$307,223 in the net loss realized for the period, including \$299,533 on the Nebari Loan. The Company does not enter into any foreign exchange hedging contracts.

(b) Capital management:

The Company's objectives of capital management are intended to safeguard the Company's ability to support the Company's exploration and evaluation of its resource properties and support any expansion plans. The capital of the Company consists of the items included in shareholders' equity.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its financial objectives. The Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. Pursuant to the Nebari Loan November 2019 amendment (Note 7), the Company must maintain, at the end of each calendar quarter, an adjusted working capital deficit (defined per the amendment as: current assets minus current liabilities, plus the current portion of long-term debt, minus the quarterly principal payment due on April 30, 2020 multiplied by four) of no more than \$100,000. In addition, Nebari also agreed to waive the Company's compliance with the adjusted working capital deficit covenant through January 31, 2020 provided certain conditions are met. The Company is active monitoring and working with Nebari to address its working capital provisions.