TREASURY METALS Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Treasury Metals Inc.

Opinion

We have audited the consolidated financial statements of Treasury Metals Inc., (the "Group"), which comprise the consolidated balance sheets as at December 31, 2019 and December 31, 2018 and the consolidated statements of operations, other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended for the years ended December 31, 2019 and December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss of $4,842,845 during the year ended December 31, 2019 and, as of that date, the Group's current assets exceeded its current liabilities by $520,057, excluding the non-cash unrenounced flow-through share premium liability and the derivative liability. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis (MD&A), but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 27, 2020
Toronto, Ontario

TREASURY METALS INC.
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

	December 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	$ 1,636,845	$ 2,399,524
Accounts receivable and prepaid expenses (Note 5)	259,281	327,867
	1,896,126	2,727,391
Investments (Note 6)	40,220	79,599
Property and equipment (Note 7)	2,426,357	2,312,711
Mineral properties and related deferred costs (Note 8)	80,090,994	76,503,961
	$ 84,453,697	$ 81,623,662
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 1,347,719	$ 1,812,941
Current portion of long-term debt (Note 10)	28,350	32,405
Derivative liability (Note 10)	1,939,648	1,775,856
Unrenounced flow-through share premium	447,160	83,487
	3,762,877	3,704,689
Long-term debt (Note 10)	4,822,668	4,565,390
Deferred tax liability (Note 16)	2,977,900	1,597,200
	11,563,445	9,867,279
Shareholders' Equity		
Capital stock (Note 11)	97,640,878	93,119,530
Contributed surplus (Note 12) & (Note 13)	11,108,238	9,623,143
Deficit	(35,586,509)	(30,743,664)
Accumulated other comprehensive loss	(272,355)	(242,626)
	72,890,252	71,756,383
	$ 84,453,697	$ 81,623,662

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations and Contingencies (Note 17)
Subsequent Event (Note 19)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Doug Bache"*
Director

(Signed) *"Marc Henderson"*
Director

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2019**	2018
Income		
Interest income	**$ 1,223**	$ 1,745
	1,223	1,745
Expenses		
Administrative, office and shareholder services	**$ 1,182,000**	$ 1,061,369
Professional fees	**170,199**	996,295
Arbitration costs award (Note 8)	**106,635**	820,325
Salary and benefits	**603,204**	787,343
Stock-based compensation (Note 13)	**333,742**	92,015
Accretion and amortization of long-term debt transaction costs (Note 10)	**462,804**	684,172
Interest	**539,425**	484,804
Foreign exchange loss (gain)	**(219,996)**	724,515
Loss (gain) on debt extinguishment (Note 10)	**1,344,395**	(112,259)
Fair value gain in derivative liability (Note 10)	**(975,552)**	(775,423)
	3,546,856	4,763,156
Loss before income taxes	**(3,545,633)**	(4,761,411)
Deferred income tax (expense) recovery (Note 16)	**(1,297,212)**	249,800
Net loss for the year	**$ (4,842,845)**	$ (4,511,611)
Loss per share - basic and diluted	**$ (0.03)**	$ (0.03)
Weighted average number of shares outstanding	**154,536,095**	130,882,043

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,		**2019**		2018
Net loss for the year	**$**	**(4,842,845)**	$	(4,511,611)
Other comprehensive income (loss)				
Unrealized loss on equity investments, net of taxes (Note 6)		**(9,279)**		(237,643)
Realized loss on sale of FVTOCI investments		**(20,450)**		-
Other comprehensive loss for the year		**(29,729)**		(237,643)
Total comprehensive loss for the year	**$**	**(4,872,574)**	$	(4,749,254)

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2018	**123,061,498**	**$ 87,238,185**	**$ 7,824,194**	**$ (26,232,053)**	**$ (4,983)**	**$ 68,825,343**
Units issued for cash in private placements (Note 11)	11,904,762	5,000,000	-	-	-	5,000,000
Flow-through issued for cash in private placements (Note 11)	8,348,741	2,254,160	-	-	-	2,254,160
Share issue cash costs (Note 11)	-	(282,790)	-	-	-	(282,790)
Issuance of warrants (Notes 11 and 12)	-	(1,732,027)	1,732,027	-	-	-
Stock options exercised (Notes 12 and 13)	1,775,000	621,250	-	-	-	621,250
Fair value of stock options exercised (Notes 12 and 13)	-	188,150	(188,150)	-	-	-
Warrants issued with respect to term loan	-	-	36,127	-	-	36,127
Fair value adjustment of extended warrants	-	(83,911)	83,911	-	-	-
Unrenounced flow-through shares premium	-	(83,487)	-	-	-	(83,487)
Stock-based compensation (Note 13)	-	-	135,034	-	-	135,034
Net loss for the year	-	-	-	(4,511,611)	-	(4,511,611)
Other comprehensive loss	-	-	-	-	(237,643)	(237,643)
Balance, December 31, 2018	**145,090,001**	**$ 93,119,530**	**$ 9,623,143**	**$ (30,743,664)**	**$ (242,626)**	**$ 71,756,383**
Units issued for cash in private placements (Note 11)	8,894,254	2,134,621	-	-	-	2,134,621
Flow-through issued for cash in private placements (Note 11)	15,644,677	4,266,723	-	-	-	4,266,723
Share issue cash costs (Note 11)	-	(503,630)	-	-	-	(503,630)
Issuance of compensation warrants (Note 12)	-	(54,139)	54,139	-	-	-
Issuance of warrants (Note 12)	-	(904,067)	904,067	-	-	-
Shares issued with respect to a services agreement (Note 11)	100,000	29,000	-	-	-	29,000
Warrants issued with respect to term loan (Note 12)	-	-	80,265	-	-	80,265
Unrenounced flow-through shares premium	-	(447,160)	-	-	-	(447,160)
Stock-based compensation (Note 13)	-	-	446,624	-	-	446,624
Net loss for the year	-	-	-	(4,842,845)	-	(4,842,845)
Other comprehensive loss	-	-	-	-	(29,729)	(29,729)
Balance, December 31, 2019	**169,728,932**	**$ 97,640,878**	**$ 11,108,238**	**$ (35,586,509)**	**$ (272,355)**	**$ 72,890,252**

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2019**	2018
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net loss for the year	**$ (4,842,845)**	$ (4,511,611)
Adjustments for:		
Deferred income tax expense (recovery) (Note 16)	**1,297,212**	(249,800)
Stock-based compensation	**333,742**	92,015
Accretion and amortization of long-term debt transaction costs (Note 10)	**462,804**	684,172
Loss (gain) on debt extinguishment	**1,344,395**	(112,259)
Fair value change in derivative liability	**(975,552)**	(775,423)
Foreign exchange on long-term debt (Note 10)	**(223,564)**	624,852
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**68,587**	257,040
Accounts payable and accrued liabilities (Note 9)	**(440,221)**	448,823
	(2,975,442)	(3,542,191)
Financing Activities		
Private placements, net of issue costs (Note 11)	**5,872,714**	6,971,370
Proceeds from sale of investment (Note 10)	**9,650**	-
Long-term debt repayments (Note 10)	**(31,122)**	(26,016)
Cash cost of debt amendment (Note 10)	**(79,682)**	-
Stock options and warrants exercised	**-**	621,250
Cash transaction costs of long-term debt (Note 10)	**-**	(150,062)
	5,771,560	7,416,542
Investing Activities		
Proceeds from GPM option agreement (Note 8)	**-**	250,000
Acquisition of property and equipment	**(163,267)**	(2,936)
Acquisition of mineral properties and related deferred costs	**(3,395,530)**	(6,376,787)
	(3,558,797)	(6,129,723)
Decrease in cash and cash equivalents	**(762,679)**	(2,255,372)
Cash and cash equivalents, beginning of the year	**2,399,524**	4,654,896
Cash and cash equivalents, end of the year (Note 4)	**$ 1,636,845**	$ 2,399,524

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2019**	2018
Supplementary cash flow information		
Changes in non-cash activities:		
Warrants issued on debt terms changes (Note 10)	**$ 80,265**	$ -
Shares issued with respect to a services agreement (Note 11)	**$ 29,000**	$ -
Stock-based compensation capitalized to mineral properties and related deferred costs (Note 13)	**$ 112,882**	$ 43,019
Amortization capitalized to mineral properties and related deferred costs	**$ 49,621**	$ 43,863
Issuance of compensation warrants (Note 12)	**$ 54,139**	$ 36,127

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada. The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the properties and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity) to fund the Company's planned operations and development of the Goliath Gold Project.

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has not generated revenue from operations. At December 31, 2019, the Company had a working capital of $520,057 (December 31, 2018 – $882,045) excluding the non-cash unrenounced flow–through share premium liability and the derivative liability. For the year ended December 31, 2019, the Company incurred a net loss of $4,842,845 (2018 - $4,511,611), had cash outflow from operations of $2,975,442 (2018 - $3,542,191) has not yet achieved profitable operations, had accumulated losses of $35,586,509 (2018 - $30,743,664) and expects to incur further losses in the development of its business. Should the Company be unable to raise sufficient financing to maintain operations, the Company may be unable to realize the carrying value of its net assets. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. See further disclosures related to subsequent events in Note 19.

These consolidated financial statements do not reflect the adjustments to carrying amounts of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

On March 27, 2020, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee.

Principles of Consolidation

The consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

The consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries Goldeye Explorations Ltd. and Silvereye Explorations Ltd.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly owned Canadian subsidiaries.

The financial statements are prepared on the historical cost basis except for financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

The accounting policies set out below have been applied consistently to the years presented in the consolidated financial statements.

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss of the consolidated statement of operations.

Cash and Cash Equivalents

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and financial liabilities classified as fair value through profit or loss, are measured at fair value plus or minus transaction costs on initial recognition. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

The following summarizes the Company’s classification and measurement of financial assets and financial liabilities:

- Cash and cash equivalents and accounts receivables, are classified as loans and receivables are now classified as amortized cost ("AC").
- Equity Investments have been designated as fair value through other comprehensive income ("FVTOCI").
- Accounts payable and long-term debt are classified as amortized cost. ("AC").
- Derivative liability is classified as fair value through profit and loss ("FVTPL").

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial assets at amortized cost

Cash and cash equivalents and accounts receivable are held with the objective of collecting contractual cash flows and those cash flows are solely payments of principal and interest, and classified as amortized cost.

Subsequent to initial recognition, these assets are carried at amortized cost, using the effective interest method, less any impairment loss. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statement of income. Any subsequent reversal of an impairment loss is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company does not currently hold any derivative assets.

Accounting policy for extinguishment/modification of debt

Long-term debt is initially recognized at the fair value of the consideration received, net of transaction costs. It is subsequently measured at amortized cost using the effective interest method.

When the debt is amended, if the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the debt and amortized over the remaining term of the debt. If the modification is determined to be substantially different based on qualitative factors or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is at least ten percent different from the discounted present value of the remaining cash flows of the original debt, the modification is accounted for as an extinguishment of the debt with a gain/loss to the carrying amount of the debt being recorded in the consolidated statements operations immediately. Also, the transaction costs related to the debt extinguishment are recorded in the statements of operations in the loss (gain) on debt extinguishment debt account.

Financial assets at fair value through other comprehensive income

The Company has made an irrevocable election on initial recognition to present gains and losses on Equity Investments (that are not held-for-trading or contingent consideration recognized in a business combination) in other comprehensive income ('OCI').

Financial liabilities at amortized cost

Accounts payable and long-term debt are classified as amortized cost.

Subsequent to initial recognition, these liabilities are carried at amortized cost, using the effective interest method. The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of operations.

The derivative liability is measured at FVTPL.

Impairment of financial assets

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss (ECL) model. The Company applies the simplified approach which uses lifetime ECLs for accounts receivables.

Property and Equipment

i) Assets owned by the Company

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Useful life is reviewed at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Leased assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

• the contract involves the use of an identified asset, specified either explicitly or implicitly, that is physically distinct, and usage represents substantially all of the capacity of the asset; if the supplier has a substantive substitution right then the asset is not identified

• the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

• the Company has the right to direct use of the asset, which is evidenced by decision-making rights to direct how and for what purpose the asset is used.

The Company recognizes a Right of Use ("ROU") asset and a lease liability at the lease commencement date.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred also any ARO and lease incentives received. The asset is subsequently depreciated using the straight line method, from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful life is based on those of property and equipment.

The lease liability is initially measured at the present value of future lease payments, discounted using the incremental borrowing rate as the discount rate. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. If the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the consolidated statement of loss and comprehensive loss if the carrying value of the ROU asset is zero.

The Company has elected not to recognize assets and lease liabilities for short-term leases with a term of 12 months or less, and leases of low value assets. Low value assets consist primarily of IT equipment. The lease payments associated with these leases are recognized as an expense in the consolidated statement of loss and comprehensive loss over the lease term.

As a result, $18,074 of ROU assets in property and equipment and $18,074 of lease liabilities were recognized at December 31, 2018. When measuring lease liabilities, the Corporation discounted lease payments using its incremental borrowing rate at the date of adoption. The rate applied is 20.41%.

iii) Subsequent costs

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of operations as an expense as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv) Amortization

Amortization is calculated on straight-line and declining balance basis over the estimated useful lives of each part of an item of property and equipment or over the term of the lease agreement. The estimated useful lives in the current and comparative year are as follows:

Building	4% Declining balance
Furniture and equipment	20% Declining balance
Vehicles under finance lease	Straight line over five years
Other vehicles	Straight line over five years
Right-of-use assets	Straight line over the term of the lease agreement

Mineral Properties and Related Deferred Costs

The Company defers exploration and evaluation expenditures until such time as technical and economic feasibility is reached and the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Capitalized expenditures include all the costs incurred in exploration and evaluation of potential mineral reserves and resources, such as exploratory drilling and sample testing and the costs of prefeasibility studies. Exploration expenditures are related to the initial search for deposits of minerals with economic value. Evaluation expenditures are related to the detailed economic assessments of identified deposits that are potentially economically viable.

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of non-financial assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level which is the smallest identifiable group of asset that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset’s fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Deferred Taxes

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.

• Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Units Issuance

From time to time, the Company may issue Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a whole, or fraction of, a share purchase warrant. The Company allocates the proceeds from each unit to the common share and warrant components based on their relative fair value using the Black-Scholes pricing model. Transaction costs arising on the issue of Units are recognized in equity as a reduction of the proceeds allocated to issued capital and warrants on a prorata basis.

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

The Company may enter into flow-through share agreements whereby the Company agrees to transfer the rights to income tax deductions related to exploration expenditures to the flow-through shareholders. The premium, if any, paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issuance is excluded from share capital and recorded as a flow-through share premium liability on the balance sheet statement. The Company reduces its flow-through share premium on renunciation.

When the Company fulfills its obligation to pass on the tax deduction to the shareholders, the amount recorded as unrenounced flow-through share premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, which is the method used by the Company, the obligation is fulfilled when the paperwork to renounce is filed.

Stock-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to net loss or mineral property and related deferred costs over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from stock-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per Share

Basic loss per share amounts are calculated by dividing net loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of December 31, 2019 and 2018.

Segmental Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed and evaluated by the chief operating decision maker.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

Environment Rehabilitation Provision

The Company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. No environmental rehabilitation provision is recorded by the Company as at December 31, 2019 and 2018.

Accounting Standard Adopted in 2019

IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The adoption of this standard does not have a material effect on the Company’s consolidated financial statements

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company’s management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company’s assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Impairment in mineral properties and related deferred costs - Management uses significant judgment in determining whether there is any indication that mineral properties and related deferred costs may be impaired.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Debt modification - From time to time, the Company pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Company to be debt modifications or extinguishments. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortized over the remaining term of the liability. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with a gain/loss to the carrying amount of the liability being recorded in the consolidated statements of operations immediately. Also, the transaction costs related to the debt extinguishment are recorded in the profit and loss accounts.

Stock-based compensation, warrants and derivative liabilities - The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments, warrants and derivative liabilities. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield.

Flow-through shares – The Company may issue flow through shares to fund a portion of its capital expenditure program. Pursuant to the terms of the flow through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow through shares issued and the value that would have been received for common shares with no tax attributes is initially recognized as a liability. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation and the difference is recognized as a deferred tax expense.

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Equity vs. Liability - The Company makes estimates and utilizes assumptions in determining whether warrants issued by the Company as part of a unit should be classified as an equity instrument or a liability.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

(EXPRESSED IN CANADIAN DOLLARS)

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	December 31, 2019	December 31, 2018
Cash	**$ 1,606,845**	$ 2,352,024
Cashable GIC	**30,000**	47,500
	$ 1,636,845	$ 2,399,524

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	December 31, 2019	December 31, 2018
Prepaid expenses and other advances	**$ 135,509**	$ 113,035
Harmonized sales tax	**123,711**	188,625
Due from Laramide Resources Ltd. (Note 14)	**-**	11,105
Due from Cypherpunk Holdings Inc. (Note 14)	**61**	192
Advances to consultants	**-**	14,910
	$ 259,281	$ 327,867

6. INVESTMENTS

The Company's investments in shares are classified as fair value through other comprehensive income ("FVTOCI") and are carried at fair value. The balance is comprised of the following:

	Number of Shares	**December 31, 2019**	Number of Shares	December 31, 2018
Zinc One Resources Inc. - Shares	**552,036**	**$ 8,281**	552,036	$ 38,643
Goldgroup Mining Inc. - Shares	**377,775**	**7,556**	377,775	17,000
Millrock Resources Inc. - Shares	**147,778**	**24,383**	217,778	23,956
Total FVTOCI investments		**$ 40,220**		$ 79,599

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles (i)	Total
At January 1, 2019	$ 1,456,092	$ 1,061,062	$ 164,983	$ 143,181	$ 2,825,318
Additions	40,817	122,450	-	-	163,267
At December 31, 2019	$ 1,496,909	$ 1,183,512	$ 164,983	$ 143,181	$ 2,988,585
Accumulated amortization					
At January 1, 2019	$ -	$ (265,312)	$ (122,188)	$ (125,107)	$ (512,607)
Amortization for the year	-	(34,281)	(8,560)	(6,780)	(49,621)
At December 31, 2019	$ -	$ (299,593)	$ (130,748)	$ (131,887)	$ (562,228)
Net book value at December 31, 2019	**$ 1,496,909**	**$ 883,919**	**$ 34,235**	**$ 11,294**	**$ 2,426,357**

(EXPRESSED IN CANADIAN DOLLARS)

7. PROPERTY AND EQUIPMENT (Continued)

Cost	Land	Building	Furniture and equipment	Vehicles (i)	Total
At January 1, 2017	$ 1,456,092	$ 1,061,062	$ 162,047	$ 125,107	$ 2,804,308
Additions	-	-	2,936	18,074	21,010
At December 31, 2018	$ 1,456,092	$ 1,061,062	$ 164,983	$ 143,181	$ 2,825,318
Accumulated amortization					
At January 1, 2017	$ -	$ (232,160)	$ (111,477)	$ (125,107)	$ (468,744)
Amortization for the period	-	(33,152)	(10,711)	-	(43,863)
At December 31, 2018	$ -	$ (265,312)	$ (122,188)	$ (125,107)	$ (512,607)
Net book value at December 31, 2018	$ 1,456,092	$ 795,750	$ 42,795	$ 18,074	$ 2,312,711

(i) Includes the fair value of the right-of-use of a leased vehicle as per IFRS 16, see Note 10.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As at December 31, 2019 and 2018, the accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1, 2019	Additions	**Balance December 31, 2019**
Goliath Gold Project	$ 71,904,327	$ 3,375,196	**$ 75,279,523**
Weebigee Project	3,717,629	206,106	**3,923,735**
Lara Polymetallic Project - BC	882,005	5,731	**887,736**
	$ 76,503,961	$ 3,587,033	**$ 80,090,994**

	Balance January 1, 2018	Additions net of recoveries (i)	Balance December 31, 2018
Goliath Gold Project	$ 65,573,213	$ 6,331,114	$ 71,904,327
Weebigee Project	3,861,132	(143,503)	3,717,629
Lara Polymetallic Project - BC	856,329	25,676	882,005
	$ 70,290,674	$ 6,213,287	$ 76,503,961

(i) In the year 2018, $250,000 was received as per the option agreement with GPM which was credited to the cost of the Weebigee project. More detail is described below in the Weebigee Project section.

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in northwestern Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

The Goliath Gold Project, prior to claim conversion as part of the third phase of the Ontario Ministry of Northern Development and Mines' Mining Act Modernization process, consisted of 126 contiguous unpatented mining claims and 23 patented land parcels. The Company converted 11 mining claims into 3 mining leases during 2016 resulting in the decrease of the mining claims from 137 to 126. Post conversion, the project consists of 240 single cell mining claims and 30 boundary cell mining claims. Patented land and mining leases remain unaffected by the claim conversion process. The total area of the project is approximately 5,049 hectares (~50 km^2) covering portions of Hartman and Zealand townships. The project comprises three historic properties which are now consolidated into one property: the larger Thunder Lake Property, the Laramide Property transferred in 2007 to the Company from Laramide Resources Ltd. ("Laramide"), and the Brisson Property acquired in 2009. The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 13 of the 23 patented land parcels totaling approximately $105,000 per year.

On October 21, 2014, the Company filed its Environmental Impact Statement ("EIS") with the Canadian Environmental Assessment Agency ("CEAA") and on April 25, 2015, the CEAA confirmed that the EIS conformed to its guidelines. As a result, the Project moved into the public comment period and technical reviews by various federal agencies.

On May 14, 2018, Treasury Metals announced as part of the mine permitting process, the Company formally submitted responses to the Information Requests along with a revised Environmental Impact Statement ("EIS") to the Canadian Environmental Assessment Agency ("CEAA"). On May 11, 2018, CEAA confirmed the EIS meets their completeness requirements to move onto the technical review of the documentation. Subsequent to this technical review, as a normal part of the EA process on July 6, 2018 CEAA returned a further series of comments and questions as part of the 2nd round of Information Requests ("IR#2"). The IR#2 paused the legislated timeline for EA completion at approximately 26 weeks remaining of government time to complete the review and issue a decision notice. On March 14th, 2019 CEAA accepted the company's submitted responses to the IR#2. This acceptance means the EIS is undergoing formal review by CEAA and the Goliath Gold Project is now within the legislated timeline period for the completion of Federal Environmental Assessments.

On August 19, 2019, the CEAA issued a positive statement for the Goliath Gold Project announcing that proposed Goliath Gold Project may proceed. This decision means that Treasury Metals Inc. can now focus on the remaining technical studies and permitting, and to prepare for a future construction decision.

On October 17, 2018 the Company provided an updated National Instrument 43101 Mineral Resource Estimate on Goliath Gold Project. The 2018 Mineral Resource Estimate is an update to the NI 43101 Mineral Resource Estimate previously released on August 28, 2015.

An updated Preliminary Economic Assessment ("PEA") was completed and the results announced in March 2017.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide Resources Ltd., a related party company, a 100% interest in certain parcels of land, including surface and mineral rights totaling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the "Laramide Property"). This interest is subject to a 2.0 - 2.5% net smelter returns ("NSR") retained by the owners.

Thunder Lake Property, Ontario

In 2007, the Company and Laramide Resources Ltd. finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona's and Teck's respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the "Thunder Lake Property").

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company made option payments totaling $100,000 and issued common shares of the Company equal to $100,000 based on the market price at the date of issue.

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide Resources Ltd. a 100% interest in the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project comprises 59 mineral claims covering approximately 6,392 hectares (~64 km^2) at December 31, 2019.

The Company is committed to a 1.0% NSR, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 of the mineral claims, historically known as the Chemainus claims, located on Vancouver Island.

In early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. At present, the Company has renewed the mining leases of the most significant areas of this property. The expenditures are mainly related to the property renewals; there was no work done on the property.

Goldeye Explorations

On November 24, 2016, the Company closed the acquisition of all of the issued and outstanding common shares of Goldeye Explorations Limited ("Goldeye") a public company that holds certain properties.

Goldeye consists of three projects, the Weebigee Project, Sandy Lake, the West Shining Tree Project, Larder Lake Mining Division, Ontario, and the Gold Rock Project, Kenora Mining Division, Ontario. Also included in Goldeye are NSR interests in Sonia-Puma NSR, Region V, Chile; McFaulds Lake NSR, Thunder Bay Mining Division, Ontario; and MacMurchy Township NSR, Larder Lake Mining Division, Ontario.

The principal asset of Goldeye is the Weebigee Project in Northwestern Ontario and all of the consideration paid in the Goldeye's acquisition was allocated to the Weebigee Project. The Company decided not to renew the Van Hise Project claims which expired in July 2017. Van Hise was not considered a strategic nor valuable project at the time of the Goldeye acquisition transaction; therefore, no charge to operations has been recorded by the Company.

Weebigee Project

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario. The Company holds a 100% interest in the property through its wholly owned subsidiary Goldeye, which comprises 225 claims. Certain claims are subject to a 2% net smelter return (“NSR”) that is held by a former director of Goldeye. On November 12, 2013, the Company entered into an exploration agreement with Sandy Lake First Nations (“SLFN”) with respect to the Company’s exploration of the Weebigee Project. This exploration agreement was renewed for a two-year period on the same terms commencing on November 12, 2014 and again on November 12, 2016 and in November 15, 2018 was renewed for a further one year. All claims are in good standing until 2020.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

On April 15, 2015, Goldeye entered into an option agreement (the "GPM Option Agreement") with GPM Metals Inc. ("GPM") whereby GPM has an option to earn a 50.1% interest in the Weebigee Project by paying a total of $550,000 in cash ($50,000, $100,000, $150,000 and $250,000 received in 2015, 2016, 2017 and 2018, respectively) and $25,000 in shares (issued in 2015) to Goldeye over a period of four years. GPM must also complete a minimum of $5,000,000 in exploration expenditures over a four-year term. In addition, if the first option is exercised, GPM will have the option to earn an additional 19.9% interest by either funding a bankable feasibility study, or at GPM's option, paying Goldeye an additional $1,500,000 in cash and completing a minimum additional $3,000,000 in exploration expenditures over the next two years. The GPM Option Agreement is subject to the terms of the exploration agreement signed between Goldeye and GPM on November 12, 2013. In July 2016, GPM sold its interest in the Weebigee property to Sandy Lake Gold Inc. ("SLG").

Subsequent to Treasury's acquisition of Goldeye, a number of disputes arose from the GPM Option Agreement: the existence of a force majeure being validly declared; whether or not SLG had met the first year expenditure requirements; and whether Goldeye met the requirements necessary to participate in 50% of certain additional properties staked by SLG. These disputes went through an arbitration process that resulted in a decision that a force majeure event had occurred and, therefore, the first year's expenditure deadline was extended, the first year's expenditure requirement was met, and that Goldeye had not met the conditions to participate in specific additional property purchases. On January 16, 2019, the Arbitration Panel ruled that SLG is entitled to a costs award of $926,960 of which $820,325 was recorded in the consolidated statement of operations of the year ended December 31, 2018 and subsequently paid in September 2019. In April 2019, SLG announced it changed its company name to G2 Goldfields Inc. ("G2").

There continues to be several deficiencies by the optionee and as a result there are items in dispute pertaining to the GPM Option Agreement. The Company and G2 are working towards resolution.

During the course of the above-described arbitration, G2 brought a counterclaim against Goldeye for $2,000,000 plus pre-judgment and post-judgment interest and costs on a full indemnity basis for breach of contract, including breach of certain representations, warranties, and covenants. No further steps have been taken by G2 to advance the counterclaim so full discovery has not yet taken place. Accordingly, no amounts have been recorded in the consolidated financial statements related to this matter.

Gold Rock Project, Kenora Mining Division, Ontario

The Company's 100% owned Gold Rock Project is located near Dryden, Ontario and comprises two properties, the Gold Rock property, consisting of 20 claims and the Thunder Cloud property consisting of 1 claim. All claims at the Gold Rock Project are in good standing until 2019 or later.

Shining Tree Project – Larder Lake Mining Division, Ontario

The Shining Tree Project consists of 53 claims in Fawcett, Leonard, MacMurchy and Tyrell townships, near Timmins in Northeastern Ontario. 52 of the claims are 100% owned by Goldeye and 1 claim is 50% owned by Goldeye and 50% owned by third parties. All claims are in good standing until December 2019. The property is subject to NSR ranging from 2% to 3% on certain claims in this area.

(EXPRESSED IN CANADIAN DOLLARS)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	December 31, 2019	December 31, 2018
Trade accounts payable	**$ 1,074,316**	$ 587,761
Accrued liabilities	**230,659**	274,814
Provision for legal and arbitration costs	**-**	926,960
Taxes and payroll deductions payable	**40,811**	23,406
Due to Laramide Resources Ltd. (Note 14)	**1,933**	-
	$ 1,347,719	$ 1,812,941

10. LONG-TERM DEBT

The present value of the long-term debt at December 31, 2019 and 2018 is as follows:

	Convertible Debt	Mortgage and lease payable	**Total Debt December 31, 2019**
Loan amount	$ 5,714,720	$ 41,069	**$ 5,755,789**
Unaccreted amount	(895,695)	(9,076)	**(904,771)**
Carrying value of the debt	4,819,025	31,993	**4,851,018**
Current portion of the debt	-	(28,350)	**(28,350)**
Long-term debt	$ 4,819,025	$ 3,643	**$ 4,822,668**

	Convertible Debt	Mortgage and lease payable	Total Debt December 31, 2018
Loan amount	$ 5,960,145	$ 70,351	$ 6,030,496
Unaccreted amount	(1,427,143)	(5,558)	(1,432,701)
Carrying value of the debt	4,533,002	64,793	4,597,795
Current portion of the debt	-	(32,405)	(32,405)
Long-term debt	$ 4,533,002	$ 32,388	$ 4,565,390

Convertible Debt

At December 31, 2019, the convertible debt owed to Extract Lending LLC and Extract Capital Master Fund Ltd. (together "Extract") is US$4.4 million (CAD$5.7 million) as per a debt agreement signed in June 2016 in addition to the three amendments signed in the three subsequent years of which the last ("the third amendment") was signed on August 15, 2019.

Under the third amendment terms, the debt may be converted at Extract's option, in part or in full, at any time, into common shares of the Company at $0.32 per common share (December 31, 2018 - $0.36) and the maturity date was extended one year up to November 30, 2022. As consideration for the third amendment, the Company paid to Extract an extension fee of US$44,000 (CAD$58,630) and issued 600,000 warrants, with a fair value of $80,265, entitling Extract to purchase common shares at an exercise price of $0.40 per share for a three-year term.

10. LONG-TERM DEBT (Continued)

Pursuant to the current terms of the debt and at December 31, 2018, the interest rate is 12-month LIBOR (minimum 200 basis points) plus 6.5%. The debt is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.

The details of the terms of the original debt agreement and the two subsequent amendments are disclosed in the audited consolidated financial statements at December 31, 2018.

Activity of the financial instrument (Debt and derivative liability)	**December 31, 2019**	December 31, 2018
Beginning balance - Debt portion	**$ 4,533,002**	$ 2,420,573
Beginning balance - Convertible portion	**1,775,856**	907,743
Carrying value of financial instruments	**6,308,858**	3,328,316
Accretion	**257,792**	218,301
Changes in fair value	**198,721**	(907,743)
Foreign exchange adjustment	**(110,622)**	152,360
Carrying value prior to amendment	**6,654,749**	2,791,234
Debt balance transferred from tranche 1	**-**	2,848,062
Loss on debt extinguishment (i)	**1,245,495**	56,130
Fair value of new debt instrument	**7,900,244**	5,695,426
Accretion	**144,291**	41,452
Changes in fair value	**(1,174,273)**	458,357
Foreign exchange adjustment	**(111,589)**	113,623
Financial instrument - Ending balance	**$ 6,758,673**	$ 6,308,858

(i) Does not include transaction costs incurred on amendment.

Under IFRS, the third amendment is considered to be an extinguishment of debt, accordingly, the new debt instruments were recorded at fair value on the amendment date. The previous first and second amendments were considered substantial debt modifications and were also treated as debt extinguishments; accordingly, the fair value variances originated by the amendments were immediately recorded in the loss on debt extinguishment account of the consolidated statements of operations.

The fair value of the debt component upon issuance at August 15, 2019 was USD$3,595,750 (CAD$4,786,303) based on a market borrowing rate of 16.4%.

Due to the loan being denominated in U.S. dollars, the conversion feature has been presented as a derivative liability, and upon issuance was assigned a fair value of $3,113,921 using the Black-Scholes option pricing model with the following assumptions: share price $0.365, dividend yield 0%, expected volatility, based on historical volatility of 60%, a risk free interest rate of 1.3% and an expected life of 3.3 years. As at December 31, 2019, the derivative liability of the debt was assigned a fair value of $1,939,648 (2018 - $1,775,856) using the Black-Scholes option pricing model with the following assumptions: share price $0.30 (2018 - $0.30), dividend yield 0%, expected volatility, based on historical volatility 55.9% (2018 - 65.95%), a risk free interest rate of 1.69% (2018 - 1.5%) and an expected life of 35 months (2018 - 35 months). The fair value gain of $975,552 (2018 - $775,423), has been recognized in the consolidated statements of operations. The effective interest rate of the debt is 16.4%(2018 - 18.5%).

(EXPRESSED IN CANADIAN DOLLARS)

10. LONG-TERM DEBT (Continued)

Lease agreement

		December 31, 2019		December 31, 2018
Lease payable	**$**	**19,201**	$	23,632
Unamortized discount		**(9,076)**		(5,558)
Fair value of the lease payable		**10,125**		18,074
Current portion of the lease payable		**(6,482)**		(7,952)
Long-term portion of the lease payable	**$**	**3,643**	$	10,122

In August 2017, the Company signed a four-year lease agreement for a vehicle used at the Goliath Project. At December 31, 2019, the Company is committed to pay $19,201 through monthly payments until the end of the lease agreement in August 2021. Under IFRS 16, the Company recorded the payable at fair value based on incremental borrowing rate of 20.41%.

Mortgage

		December 31, 2019		December 31, 2018
Short-term	**$**	**21,868**	$	24,453
Long-term		**-**		22,266
	$	**21,868**	$	46,719

The mortgage is related to a purchase of land and building located on the Goliath Gold Project property for a total of $200,000. The purchase was made in November 2010 consisting of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020.

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance,January 1, 2018	123,061,498	$ 87,238,185
Units issued for cash in private placements	11,904,762	5,000,000
Flow-through issued for cash in private placements	8,348,741	2,254,160
Share issue cash costs	-	(282,790)
Issuance of warrants	-	(1,732,027)
Stock options exercised	1,775,000	621,250
Fair value of stock options exercised	-	188,150
Fair value adjustment of extended warrants	-	(83,911)
Flow-through shares premium	-	(83,487)
Balance, December 31, 2018	145,090,001	$ 93,119,530
Units issued for cash in private placements	8,894,254	2,134,621
Flow-through issued for cash in private placements	15,644,677	4,266,723
Share issue cash costs	-	(503,630)
Issuance of compensation warrants	-	(54,139)
Issuance of warrants	-	(904,067)
Shares issued with respect to a services agreement	100,000	29,000
Flow-through shares premium	-	(447,160)
Balance, December 31, 2019	**169,728,932**	**$ 97,640,878**

On February 7, 2019, the Company issued 100,000 common shares in consideration for a services agreement signed with a third party entity. The fair value of the shares at issuance date was $0.29 per common share.

Private Placements

On November 21, 2019, the Company closed a private placement for aggregate gross proceeds of $2,795,233 through the issuance of 9,807,800 flow-through units at a price of $0.285 per flow-through unit. On November 26, 2019, the Company closed an additional subscription for aggregate gross proceeds of $100,000 through the issuance of 350,877 flow-through units at a price of $0.285 per flow-through unit. Each flow-through unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of $0.45 for a period of 24 months from the date of issuance and, at the discretion of the Company, may be subject to acceleration and called prior to the expiry date in the event that the closing price of the common shares is $0.75 or more for twenty consecutive trading days. The Company incurred in $288,158 of issue costs regarding this private placement. The proceeds of the flow-through financing will be used to incur Canadian Exploration Expenses qualified as "flow-through mining expenditures" under the Income Tax Act.

11. CAPITAL STOCK (Continued)

On June 6, 2019, the Company closed concurrent non-brokered private placements. The first private placement consisted of the issuance of 8,894,254 units at a price of $0.24 per unit for aggregate gross proceeds of $2,134,621. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles his holder to acquire one common share at an exercise price of $0.32 for a period of 48 months from the date of issuance. The second private placement consisted of the issuance of 5,486,000 flow-through units at a price of $0.25 per flow-through unit for aggregate gross proceeds of $1,371,500. Each flow-through unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of $0.35 for a period of 24 months from the date of issuance and, at the discretion of the Company, may be subject to acceleration and called prior to the expiry date in the event that the closing price of the common shares is $0.50 or more for twenty consecutive trading days. The Company incurred in $234,062 of issue costs regarding these private placements. The proceeds of the flow-through financing will be used to incur Canadian Exploration Expenses qualified as "flow-through mining expenditures" under the Income Tax Act.

On December 17, 2018, the Company closed a private placement for aggregate gross proceeds of $2,254,160 through the issuance of 8,348,741 flow-through common shares at a price of $0.27 per share. The Flow-Through Shares are subject to a four-month hold period. The Company incurred in $144,202 of issue costs regarding this private placement. The proceeds will be used to incur Canadian Exploration Expenses qualified as "flow-through mining expenditures" under the Income Tax Act.

On June 25, 2018, the Company closed a private placement for aggregate gross proceeds of $5,000,000 through the issuance of 11,904,762 units at a price of $0.42 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles his holder to acquire one common share at an exercise price of $0.60 for a period of 60 months from the date of issuance. The proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company incurred in $138,588 of issue costs regarding this private placement.

12. WARRANTS

In connection with the private placement on November 21, 2019 and additional subscription on November 26, 2019, the Company issued 4,903,900 and 175,438 warrants respectively, exercisable within 24 months at a price of $0.45 per share and were assigned a fair value of $139,381 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 53.26%, a risk free interest rate of 1.58% and an expected life of 2 years. Also, the Company issued 588,468 and 21,052 compensation warrants exercisable within 24 months at a price of $0.285 per share and were assigned a fair value of $36,379 using the Black-Scholes option pricing model with the following assumptions: share price $0.245, dividend yield 0%, expected volatility, based on historical volatility 53.26%, a risk free interest rate of 1.58% and an expected life of 2 years.

In connection with an arrangement with Extract for the compliance of certain covenants clauses of the debt agreement (Note 10), in August 2019, the Company issued in favour of Extract 600,000 warrants exercisable within 36 months at a price of $0.40 per share. The warrants were assigned a fair value of $80,265 using the Black-Scholes option pricing model with the following assumptions: share price $0.36, dividend yield 0%, expected volatility, based on historical volatility 59.2%, a risk free interest rate of 1.27% and an expected life of 3 years.

In connection with the private placement on June 6, 2019, the Company issued 8,894,254 warrants exercisable within 48 months at a price of $0.32 per share and were assigned a fair value of $653,692 using the Black-Scholes option pricing model with the following assumptions: share price $0.24, dividend yield 0%, expected volatility, based on historical volatility 66.71%, a risk free interest rate of 1.87% and an expected life of 4 years.

12. WARRANTS (Continued)

In connection with the private placement on June 6, 2019, the Company issued 2,743,000 warrants exercisable within 24 months at a price of $0.35 per share and were assigned a fair value of $104,822 using the Black-Scholes option pricing model with the following assumptions: share price $0.24, dividend yield 0%, expected volatility, based on historical volatility 51.65%, a risk free interest rate of 1.45% and an expected life of 2 years.

In connection with the private placement on June 6, 2019, the Company issued 324,360 and 73,405 compensation warrants exercisable within 24 months at a price of $0.35 and $0.32, respectively, per share and were assigned a fair value of $16,458 using the Black-Scholes option pricing model with the following assumptions: share price $0.24, dividend yield 0%, expected volatility, based on historical volatility 51.65%, a risk free interest rate of 1.45% and an expected life of 2 years.

In connection with the extension of the debt agreements signed with Extract (Note 10), on November 30, 2018, the Company issued 600,000 warrants exercisable within 36 months at a price of $0.40 per share and were assigned a fair value of $36,127 using the Black-Scholes option pricing model with the following assumptions: share price $0.24, dividend yield 0%, expected volatility, based on historical volatility 58.24%, a risk free interest rate of 1.5% and an expected life of 3 years.

In connection with the private placement (Note 11), on June 25, 2018, the Company issued 11,904,762 warrants exercisable within 60 months at a price of $0.60 per share and were assigned a fair value of $1,732,027 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 71.32%, a risk free interest rate of 1.6% and an expected life of 5 years.

(EXPRESSED IN CANADIAN DOLLARS)

12. WARRANTS (Continued)

The following table reflects the continuity of warrants:

	Number of Warrants 2019	Number of Warrants 2018	**Weighted Average Exercise Price 2019**	Weighted Average Exercise Price 2018
Balance, at beginning of year	**26,247,789**	16,618,770	**$ 0.69**	$ 0.74
Issued, on private placement units (Note 11)	**2,743,000**	-	**0.35**	-
Issued, on private placement units (Note 11)	**8,894,254**	-	**0.32**	-
Issued, on private placement units(Note 11)	**-**	11,904,762	**-**	0.60
Issued, on private placement units	**4,903,900**	-	**0.45**	-
Issued, on private placement units	**175,438**	-	**0.45**	-
Issued, Compensation warrants	**324,360**	-	**0.35**	-
Issued, Compensation warrants	**73,405**	-	**0.32**	-
Issued on debt agreement (Note 10)	**600,000**	600,000	**0.40**	0.40
Issued, Compensation warrants	**588,468**	-	**0.285**	-
Issued, Compensation warrants	**21,052**	-	**0.285**	-
Expired	**(381,000)**	-	**0.67**	-
Expired	**(505,286)**	-	**0.55**	-
Expired	**(250,000)**	-	**0.94**	-
Expired	**(573,575)**	(1,500,000)	**0.65**	0.40
Expired	**(750,000)**	(507,263)	**0.35**	0.56
Expired	**(4,170,666)**	(351,480)	**0.70**	0.70
Expired	**(212,500)**	(217,000)	**0.45**	0.55
Expired	**(6,200,000)**	(300,000)	**0.95**	0.77
Balance December 31	**31,528,639**	26,247,789	**$ 0.46**	$ 0.69

(EXPRESSED IN CANADIAN DOLLARS)

12. WARRANTS (Continued)

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	Warrants at December 31, 2019	Warrants at December 31, 2018	Exercise Price
January, 13, 2019	Warrants	**-**	212,500	$ 0.45
January, 13, 2019	Warrants	**-**	505,286	$ 0.55
May 15, 2019	Warrants	**-**	6,200,000	$ 0.95
May 15, 2019	Agent warrants	**-**	573,575	$ 0.65
May 18, 2019	Financier warrants	**-**	750,000	$ 0.35
May 18, 2019	Warrants	**-**	4,170,666	$ 0.70
June 17, 2019	Warrants	**-**	250,000	$ 0.94
December 21, 2019	Agent warrants	**-**	381,000	$ 0.67
June 7, 2020	Warrants	**300,000**	300,000	$ 0.75
June 7, 2020	Warrants	**400,000**	400,000	$ 0.80
June 6, 2021	Compensation warrants	**324,360**	-	$ 0.35
June 6, 2021	Compensation warrants	**73,405**	-	$ 0.32
June 6, 2021	Warrants	**2,743,000**	-	$ 0.35
November 30, 2021	Financier warrants	**600,000**	600,000	$ 0.40
August 14, 2022	Warrants	**600,000**	-	$ 0.40
June 6, 2023	Warrants	**8,894,254**	-	$ 0.32
June 25, 2023	Warrants	**11,904,762**	11,904,762	$ 0.60
November 21, 2021	Warrants	**4,903,900**	-	$ 0.45
November 21, 2021	Compensation warrants	**588,468**	-	$ 0.285
November 26, 2021	Warrants	**175,438**	-	$ 0.450
November 26, 2021	Compensation warrants	**21,052**	-	$ 0.285
		31,528,639	26,247,789	

The weighted average life of the outstanding warrants at December 31, 2019 is 2.9 years (December 31, 2018 - 2.3 years).

13. STOCK-BASED COMPENSATION

On December 19, 2019, the Company granted a total of 4,500,000 options to directors, officers, employees and consultants to buy common shares at an exercise price of $0.30 each and expire on December 19, 2022. The stock options vest 33.3% at the date of granting, 33.3% at June 19, 2020 and the remaining 33.34% vest on December 19, 2020. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.285, dividend yield 0%, expected volatility 60.9% based on historical volatility, a risk free interest rate of 1.66%, and an expected life of 3 years. As a result, the fair value of the options was estimated at $515,045 and will be recognized in the property cost and in the statement of operations over the periods the options vest.

(EXPRESSED IN CANADIAN DOLLARS)

13. STOCK-BASED COMPENSATION (Continued)

On September 18, 2018, the Company granted a total of 4,825,000 options to directors, officers, employees and consultants to buy common shares at an exercise price of $0.40 each and expire on September 18, 2020. The stock options vest 50% at the date of granting and the remaining 50% vest on March 18, 2019. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.32, dividend yield 0%, expected volatility 59.32% based on historical volatility, a risk free interest rate of 1.20%, and an expected life of 2 years. As a result, the fair value of the options was estimated at $401,835 and will be recognized in the property cost and in the statement of operations over the periods the options vest.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at December 31, 2019, the Company has an additional 7,297,893 (2018 – 9,084,000) options available for issuance under the plan.

During the period ended December 31, 2019, the stock-based compensation charged to mineral properties and related deferred costs amounted $112,882 (2018 - $43,019).

The Company estimates expected life of options and expected volatility based on historical volatility, which may differ from actual outcomes.

Continuity of the unexercised options to purchase common shares is as follows:

	Number of Stock Options 2019	Number of Stock Options 2018	**Weighted Average Exercise Price 2019**	Weighted Average Exercise Price 2018
Balance, at beginning of year	**5,425,000**	6,525,933	**$ 0.42**	$ 0.52
Options granted	**-**	4,825,000	**-**	0.40
Options granted	**4,500,000**	-	**0.30**	-
Exercised	**-**	(1,775,000)	**-**	0.35
Expired	**-**	(175,000)	**-**	0.38
Expired	**-**	(350,000)	**-**	0.35
Expired	**-**	(125,933)	**-**	0.56
Cancelled	**-**	(2,150,000)	**-**	0.63
Expired	**(100,000)**	(1,350,000)	**0.40**	0.62
Expired	**(150,000)**	-	**0.40**	-
Balance December 31	**9,675,000**	5,425,000	**$ 0.36**	$ 0.42

The weighted average life of the outstanding options at December 31, 2019 is 1.6 years (2018 - 1.4 years). The weighted average market value of the shares when the options were exercised in 2018 was $0.42

(EXPRESSED IN CANADIAN DOLLARS)

13. STOCK-BASED COMPENSATION (Continued)

The outstanding options are comprised as follows:

Grant Date	Expiry Date	Number of Stock Options at December 31, 2019	Number of Stock Options at December 31, 2018	Exercise Price
January 16, 2016	January 16, 2019	**-**	150,000	0.40
June 29, 2017	June 29, 2020	**450,000**	450,000	0.62
September 18, 2018	September 18, 2020	**4,725,000**	4,825,000	0.40
December 19, 2019	December 19, 2022	**4,500,000**	-	0.40
		9,675,000	5,425,000	

At December 31, 2019, 4,362,500 of the outstanding options are fully vested and exercisable (2018 - 3,012,500).

14. RELATED PARTY DISCLOSURES

Certain corporate entities that are related to the Company's officers and directors provide services to Treasury Metals. At December 31, 2019, there is $1,933 of accounts payable to Laramide Resources Ltd., (2018 – net receivable of $11,105), a company that has a director and an officer in common with Treasury Metals. During the period, Laramide charged $183,947 (2018 - $194,152) for office space rent, and other expenditures paid by Laramide on behalf of the Company and the Company charged $20,947 of shared expenditures paid on behalf of Laramide (2018 - $28,243).

At December 31, 2019, there is $61 of accounts receivable from Cypherpunk Holdings Inc. (2018 – $192), a company that has an officer and director and an officer in common with Treasury Metals. During the period, the Company charged $4,881 of shared expenditures paid on behalf of Cypherpunk Holdings Inc.

Transactions with related parties were conducted in the normal course of operations.

15. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company.

The compensation payable to key management is shown below:

Years ended December 31	2019	2018
Salaries	**$ 392,500**	$ 495,977
Director fees	**117,500**	128,000
Stock-based compensation, at fair value	**293,550**	181,138
	$ 803,550	$ 805,115

(EXPRESSED IN CANADIAN DOLLARS)

16. INCOME TAX

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

		2019		2018
Loss before income taxes	**$**	**(3,545,633)**	$	(4,761,411)
Expected income tax recovery		**(933,900)**		(1,261,774)
Stock-based compensation		**88,400**		65,000
Effects of renouncing flow-through expenditures		**705,900**		1,127,400
Other		**(91,388)**		160,174
Prior year reallocation		**1,638,200**		-
Flow-through share premium		**-**		(381,000)
Change in tax benefits not recognized		**(110,000)**		40,400
Income tax expense (recovery) reflected in the statement of operations	**$**	**1,297,212**	$	(249,800)

The Company's income tax recovery is allocated as follows:

Deferred tax expense (recovery)	**$**	**1,297,212**	$	(249,800)

The Company's deferred tax assets and liabilities as at December 31, 2019 and 2018:

Deferred income tax assets		**2019**		2018
Undeducted finance costs	**$**	**393,000**	$	434,800
Excess book value of investments		**33,400**		35,900
Excess book value of property and equipment		**-**		107,400
Excess book value of derivative liabilities		**514,000**		435,300
Capital losses carried forward		**475,000**		475,000
Non-capital losses carried forward		**7,423,100**		5,674,700
Intangible assets		**199,000**		185,100
	$	**9,037,500**	$	7,348,200
Less: allocated against deferred income tax liabilities	**$**	**(8,529,200)**	$	(6,729,900)
Less: unrecognized deferred tax asset	**$**	**(508,300)**	$	(618,300)
Deferred income tax assets	**$**	**-**	$	-

(EXPRESSED IN CANADIAN DOLLARS)

16. INCOME TAX (Continued)

Deferred income tax liabilities		**2019**		2018
Deferred exploration expenses	**$**	**(10,927,900)**	$	(8,042,200)
Excess tax value on convertible debt		**(296,700)**		(284,900)
Property and equipment		**(282,500)**		-
Less: reduction due to allocation of applicable deferred income tax assets		**8,529,200**		6,729,900
Net deferred tax liability	**$**	**(2,977,900)**	$	(1,597,200)

The Company's non-capital income tax losses expire as follows:

2027	$	64,600
2028		591,800
2029		173,200
2030		396,000
2031		1,077,700
2032		1,299,500
2033		1,473,600
2034		2,213,800
2035		2,874,600
2036		3,059,500
2037		4,174,400
2038		5,612,200
2039		3,193,600
	$	26,204,500

17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

1) The Company is committed to spend $4,266,723 by December 31, 2020 on Canadian exploration expenses ("CEE") as part of its flow-through funding agreements dated on June 6, 2019 and November 21, 2019. All flow-through spending commitments from previous flow-through financings have been fulfilled.

2) Following an audit commenced by the Canada Revenue Agency (the “CRA”) in December 2016 of the flow-through expenditures incurred by the Company pursuant to the flow-through share financings completed on December 6, 2011, September 21, 2012, May 1, 2013, and December 20, 2013, on March 7, 2018 the Company was advised by the CRA that out of the total of $12.5 million the Company raised through the flow-through share financings and renounced to subscribers, that the CRA had reclassified approximately $1.8 million of CEE to operating expenses and a further approximately $2.2 million of CEE to Canadian Development Expenses. In addition, pursuant to the audit, the CRA has notified the Company that it is liable for Part XII.6 tax in the amount of $477,726 in connection with the shortfall from the disallowed CEE.

The Company disputes the CRA’s proposed re-characterizations of expenses from CEE to either CDE or operating expenses and has filed a Notice of Objection with the CRA. Due to the uncertainty of the final outcome, no liability has been recorded in the consolidated financial statements.

18. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At December 31, 2019, the Company has a working capital of $520,057 excluding the non-cash unrenounced flow-through share premium liability and derivative liability (2018 - $882,045); Capital stock and contributed surplus total $108,749,116 (2018 - $102,742,673).

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and marketable securities.

At December 31, 2019, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At December 31, 2019, there were certain externally imposed capital requirements related to the long term debt, to which the Company is subject and with which the Company was not in compliance. A waiver was obtained to confirm that the Company was not in default on the long-term debt.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended December 31, 2019.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company’s business.

Credit Risk

The Company has cash and cash equivalents balance of $1,636,845 (2018 - $2,399,524) and accounts receivable of $123,772 (2018 - $312,957). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk with respect of receivables.

18. FINANCIAL RISK FACTORS (Continued)

Interest Rate Risk

The Company has exposure to interest rate risk since its long-term debt has an interest rate based on 12-month LIBOR, subject to an interest floor.

Market Price Risk

The Company has convertible long-term debt denominated in US Dollars. The convertible feature of this long-term debt has been classified as a derivative liability. Among other variables, the fair value of this derivative liability is affected by changes in the market price of the Company shares.

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary liabilities in such currency as of December 31, 2019 is $4,534,000 (2018 - $4,751,323).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash and cash equivalents balance of $1,636,845 (2018 - $2,399,524) to settle current liabilities of $1,376,069 (2018 - $1,845,346), excluding the non-cash unrenounced flow-through share premium liability. All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

Sensitivity Analysis

As at December 31, 2019 and 2018, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

i) The Company is exposed to interest rate risk on LIBOR fluctuations for its long-term debt. A variance of 1% in the 12-month LIBOR will affect the annual Company's net comprehensive loss by approximately $57,147.

ii) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by $453,400.

iii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their December 31, 2019 fair market value positions, the comprehensive loss would have varied by $4,022.

Fair Value Hierarchy

The Company has designated its investments in shares as FVTOCI, which are measured at fair value. The derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the consolidated statement of operations.

(EXPRESSED IN CANADIAN DOLLARS)

18. FINANCIAL RISK FACTORS (Continued)

Accounts payable and accrued liabilities and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

December 31, 2019:	Level One	Level Two	Level Three
Investments	$ 40,220	$ -	$ -
Derivative liability	-	(1,939,648)	-
	$ 40,220	$ (1,939,648)	$ -

December 31, 2018:	Level One	Level Two	Level Three
Investments	$ 79,599	$ -	$ -
Derivative liability	-	(1,775,856)	-
	$ 79,599	$ (1,775,856)	$ -

There have been no transfers between levels 1, 2 or 3 during the periods.

19. SUBSEQUENT EVENT

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries, or on its ability to raise capital to fund operations, in future periods.