MegumaGold Corp.

Condensed Interim Consolidated Financial Statements (unaudited)

For the Nine-Months Period Ended December 31, 2019 and 2018

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the MegumaGold Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

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

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

AS AT	**December 31, 2019 $**	March 31, 2019 $
Assets		
Current assets		
Cash	**830,097**	4,293,704
Other receivable	**58,489**	180,683
Marketable securities (*note 5)*	**655,000**	-
Prepaid expenses	**13,816**	65,786
	1,557,402	4,540,173
Non-current assets		
Exploration and evaluation assets *(note 4)*	**13,421,944**	12,125,374
Total assets	**14,979,346**	16,665,547
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(notes 6 and 9)*	**370,901**	1,034,923
Flow through liability *(notes 11)*	**-**	743,601
Total liabilities	**370,901**	1,778,524
Shareholders' Equity		
Share capital *(note 7)*	**34,015,391**	33,974,141
Share-based payment reserve *(note 7)*	**3,593,725**	3,088,214
Deficit	**(23,000,671)**	(22,175,332)
	14,608,445	14,887,023
Total liabilities and shareholders' equity	**14,979,346**	16,665,547

-See Accompanying Notes-

Nature of operations and going concern *(note 1)*

Subsequent events *(note 13)*

Approved on behalf of the Board on March 2, 2020:

"Stephen Stine"
Director

"Fred Tejada"
Director

MEGUMAGOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018
UNAUDITED – EXPRESSED IN CANADIAN DOLLARS

	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
	$	**$**	**$**	$
EXPENSES				
Corporate development	**386,756**	-	**430,825**	-
Mineral property claim	**-**	-	**-**	24,307
Professional fees	**34,839**	2,102	**196,371**	2,394
General and administrative *(note 8)*	**27,047**	65,412	**141,023**	129,320
Regulatory, transfer agent and filing fees	**4,854**	11,560	**15,828**	29,526
Management, consulting and director's fees *(note 10)*	**139,740**	108,825	**294,239**	287,401
Share based compensation *(note 7)*	**58,888**	-	**505,511**	-
Foreign exchange loss (gain)	**(275)**	2,132	**(2,656)**	2,805
	(651,849)	(190,031)	**(1,581,141)**	(475,753)
OTHER ITEMS				
Reversal of flow-through liability *(note 11)*	**-**	-	**743,601**	-
Gain on disposal of subsidiary	**-**	136,011	**-**	136,011
Interest income	**3,452**	-	**12,201**	-
Net loss and comprehensive loss for the period	**(648,397)**	(54,020)	**(825,339)**	(339,742)
Basic and diluted loss per share	**(0.01)**	(0.00)	**(0.01)**	(0.00)
Weighted average number of shares outstanding	**96,688,970**	96,530,637	**96,583,415**	87,800,065

-See Accompanying Notes-

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	Share capital #	**Share capital** $	**Subscriptions received in advance** $	**Share-based payment reserve** $	**Deficit** $	**Total equity** $
Balance – March 31, 2019	96,530,640	33,974,141	-	3,088,214	(22,175,332)	14,887,023
Net income and comprehensive loss	-	-	-	-	(825,339)	(825,339)
Shares issued for option agreement	250,000	41,250	-	-	-	41,250
Share based compensation	-	-	-	505,511	-	505,511
Balance – December 31, 2019	**96,780,640**	**34,015,391**	**-**	**3,593,725**	**(23,000,671)**	**14,608,445**
Balance – March 31, 2018	39,617,602	21,235,717	50,000	3,077,680	(21,860,537)	2,502,860
Net loss and comprehensive loss	-	-	-	-	(339,742)	(339,742)
Private placement	21,967,200	5,581,910	(50,000)	-	-	5,531,910
Shares issued to for asset acquisition	34,240,000	8,560,000	-	-	-	8,560,000
Share issuance cost – common shares	705,835	141,167	-	-	-	141,167
Share issuance costs – cash	-	(425,913)	-	10,534	-	(415,379)
Balance – December 31, 2018	96,530,640	35,092,881	-	3,088,214	(22,200,279	15,980,816

-See Accompanying Notes-

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS

	December 31, 2019 $	December 31, 2018 $
Cash flows provided used in for operating activities		
Net loss and comprehensive loss for the period	**(825,339)**	(339,742)
Adjustments for items not involving cash:		
Reversal of flow through liability	**(743,601)**	-
Gain on disposal of subsidiary	**-**	(136,011)
Share based compensation	**505,511**	-
Foreign exchange	**-**	277
	(1,063,429)	(475,476)
Changes in non-cash working capital items:		
Increase in other receivable	**122,195**	(219,701)
Increase in prepaid expenses	**51,970**	(37,650)
Decrease in accounts payable and accrued liabilities	**(475,233)**	(238,352)
Net cash used in operating activities	**(1,364,497)**	(971,179)
Investing activities		
Acquisition of exploration and evaluation assets	**-**	(371,136)
Proceeds on disposal of subsidiary	**-**	13,600
Investment in marketable securities	**(655,000)**	-
Exploration and evaluation expenditures	**(1,444,110)**	(1,637,012)
Net cash used in investing activities	**(2,099,110)**	(1,994,548)
Financing activities		
Proceeds from issuance of common shares	**-**	5,581,910
Share issuance costs	**-**	(274,212)
Net cash provided by financing activities	**-**	5,307,698
Change in cash	**(3,463,607)**	2,341,971
Cash, beginning	**4,293,704**	2,681,156
Cash, ending	**830,097**	5,023,127

-See Accompanying Notes-

1. Nature of operations and going concern

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

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

These condensed interim consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Several material uncertainties lend significant doubt on the validity of this assumption. The Company has incurred losses since inception and has no current source of revenue. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured given the volatile and uncertain financial markets. These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. At December 31, 2019, the Company had a deficit of $23,000,671 (March 31, 2019 - $22,175,332) and working capital of $1,186,501 (March 31, 2019 - $2,761,649). There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to continue as a going concern, the net realizable values of its assets may be materially less than the amounts recorded on the condensed interim consolidated statements of financial position.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2019. These financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended March 31, 2019.

The Board of Directors approved these condensed interim consolidated financial statements on Feburary *, 2020.

Basis of measurement

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

2. Basis of presentation (Continued)

Basis of consolidation

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

Significant Subsidiaries (Consolidated) – Ownership

	Country of Incorporation	December 31, 2019	March 31, 2019
1156219 B.C. Ltd.	Canada	100%	100%
1156222 B.C. Ltd.	Canada	100%	100%
1161097 B.C. Ltd	Canada	100%	100%

Functional and presentation currency

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

3. Significant Accounting Policies

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended March 31, 2019, with exception to the new accounting standards adopted by the Company discussed below.

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

<u>Several amendments to existing accounting standards became effective January 1, 2019 and were first adopted by the Company in the nine-month period ended December 31, 2019:</u>

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

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

4. Exploration and evaluation assets

	Meguma Project $	Cariboo Project $	Tay-LP Gold Project $	Total $
Balance, March 31, 2018	**-**	**-**	**55,300**	**55,300**
Acquisition costs	4,533,335	4,400,000	-	8,933,335
Mining rights	286,089	-	5,757	291,846
Assaying	75,737	-	-	75,737
Supplies	161,053	-	59,285	220,338
Drilling	626,061	-	-	626,061
Geological consultants	1,501,797	-	51,057	1,552,854
Geological surveying	541,302	-	-	541,302
Impairment	-	-	(171,399)	(171,399)
Balance, March 31, 2019	7,725,374	4,400,000	-	12,125,374
Acquisition costs	114,750	-	-	114,750
Mining rights	81,110	-	-	81,110
Assaying	189,464	-	-	189,464
Supplies	91,068	-	-	91,068
Drilling	85,788	-	-	85,788
Geological consultants	734,390	-	-	734,390
Balance, December 31, 2019	**9,021,944**	**4,400,000**	**-**	**13,421,944**

Meguma Project

On May 30, 2018, the Company closed the acquisition of 1156222 B.C. Ltd. ("115") by way of a three-corner amalgamation with 1156219 B.C. Ltd, a wholly owned subsidiary of the Company. Under the terms of the definitive acquisition agreement (the "115 Agreement"), the Company acquired 100% of 115 and assumed all of its existing assets and underlying agreements at present, including 3,888 mineral claims totaling over 62,000 hectares of land in Nova Scotia.

The Company issued 15,500,000 shares at a fair value of $3,875,000 to the shareholders of 115 to satisfy the terms of the 115 Agreement. The Company also issued 1,240,000 million shares at a fair value of $310,000 and paid CAD$200,000 to an arm's length finder in connection with the transactions contemplated in the 115 Agreement. The Company paid $5,766 in legal fees in connection with the acquisition and agreed to pay $200,000 as a finder's fee, which have been capitalized as acquisition costs.

During the period ended December 31, 2019, the Company acquired additional mineral licenses and options for the Meguma project:

Acquisition of Additional Mineral Licenses:

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

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

On August 14, 2018, the Company entered into an asset purchase and sale agreement. Under the terms of the SW Meguma Asset Purchase and Sale Agreement (SW Meguma Agreement), the Company acquired 100% interest in mineral licenses in Nova Scotia. As consideration, the Company paid $42,490 in cash. The mineral licenses in the SW Meguma Agreement are subject to a two percent royalty on gross revenue.

4. Exploration and evaluation assets (Continued)

Acquisition of Additional Mineral Licenses (Continued):

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

Option Agreements:

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

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

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

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

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

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

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

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

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

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

4. Exploration and evaluation assets (Continued)

Acquisition of Additional Mineral Licenses (Continued):

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

- Issue 250,000 common shares within 10 business days of signing the Genius Option Agreement (Issued);
- Earn 49.9% interest upon incurring $100,000 in exploration work consisting of ground surveys and pre-drilling target work on or before the 18 month anniversary;
- Earn 20.1% interest upon incurring $150,000 in exploration work, including a diamond drilling program on or before the 30 month anniversary.

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

Cariboo Project

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

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

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

Plenty Zone South Option

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

To earn 100% interest, the Company is committed to make the following payments and expenditures:
(i) Cash payment of $10,000 on the date that is six months after the Drilling Date (Paid);
(ii) Cash payment of $20,000 on the 12-month anniversary of the Drilling Date;
(iii) Cash payment of $30,000 on the 18-month anniversary of the Drilling Date; and,
(iv) Cash payment of $100,000 on the 24- month anniversary date of the Drilling Date.

Tay-LP Gold Property Mineral Option

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

White Caps Gold Project

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

UNAUDITED - EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

5. Marketable Securities

During the period ended December 31, 2019, the Company acquired 13,100,000 Units of Osprey Gold Corp. (TSX-V: OS). As at the acquisition date and period end, the fair value of the investment was $655,000.

The Company acquired 19.05% of the issued and outstanding shares of Osprey Gold Development Ltd ("Osprey") for $655,000, consisting of 13,100,000 Units ("Units") of Osprey. Each Unit consists of one common share and one share purchase warrant ("Warrant"), each Warrant can purchase an additional common share at a price of $0.075 per share for a period of 24 months from the date of issuance.

Osprey is a Canadian exploration company focused on exploring five gold properties in Nova Scotia, Canada. Osprey has the option to earn 100%, subject to certain royalties, in all five properties, including the Goldenville Gold Project.

6. Accounts payable and accrued liabilities

	December 31, 2019 $	March 31, 2019 $
Accounts payable	**171,163**	666,804
Accrued liabilities *(Note 9)*	**199,738**	368,119
	370,901	1,034,923

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

7. Share capital and reserves

Authorized share capital

Unlimited common shares without nominal or par value.

Issued share capital

As at December 31, 2019, the Company had 96,780,637 (March 31- 96,530,640) issued common shares.

On December 9, 2019, the Company issued 250,000 common shares with a fair value of $41,250 pursuant to the Genius Option Agreement (Note 4).

During the period ended December 31, 2018, the Company completed the following share issuances:

On April 20, 2018, the Company closed the first tranche of a private placement (the "Offering") by issuing 10,082,500 units ("the Units") at a subscription price of $0.20 per Unit for gross proceeds to the Company of $2,016,500. Each Unit consists of one common share ("Share") and one warrant ("Warrant") exercisable into one common share ("Warrant Share") at $0.50 per share for a period of two years. The Warrants will be subject to a fourteen day forced exercise provision should the Company's closing share price meet or exceed $0.70 for ten consecutive trading days. A finder's fee of $15,391 cash was paid and 76,950 broker warrants were issued with a fair value of $10,534 in connection with the first tranche closing of the Offering. Each broker warrant is exercisable into a common share at a price of $0.20 for a period of two years. The fair value of the broker warrants was estimated using the Black-Scholes Option Pricing Model using the following assumptions: dividend yield - 0%, risk-free rate – 1.93%, volatility – 143%, forfeiture rate – 0% and expected life – 2 years.

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7. Share capital and reserves (Continued)

Issued share capital (Continued)

On May 2, 2018 the Company closed the second and final tranche of the private placement Offering by issuing 11,884,700 flow-through shares at a subscription price of $0.30 per flow-through share for gross proceeds to the Company of $3,565,410. Finders' fees and legal fees of $258,821 cash were paid and 705,835 common shares were issued with a total fair value of $211,751 in connection with the second and final tranche closing of the Offering. The Company recorded $1,118,740 as a flow through liability (note 11).

The Company issued 17,500,000 million common shares pursuant to the acquisition of 116 by way of a three-corner amalgamation at a fair value of $0.25 per share for a total fair value of $4,375,000 (note 4).

The Company issued 15,500,000 common shares pursuant to the acquisition of 115 by way of a three-corner amalgamation at a fair value of $0.25 per share for a total fair value of $3,875,000 (note 4). The Company issued 1,240,000 million shares as finder's fees with a total fair value $310,000 (note 4).

Warrants

Warrant transactions outstanding and exercisable for the period ended December 31, 2019 were as follows:

	Number of Warrants #	Weighted average exercise price $
Balance, March 31, 2018	**13,171,556**	**0.16**
Issued	10,159,450	0.50
Balance, March 31, 2019	**23,331,006**	**0.31**
Expired	(1,616,000)	(0.35)
Balance, December 31, 2019	**21,715,006**	**0.28**

The remaining contractual life for the warrants outstanding was 1.16 years.

Expiry Date	Exercise Price $	Number of Warrants #
November 23, 2021	0.13	11,555,556
April 19, 2020	0.50	10,159,450
		21,715,006

The Company extended the life of 11,555,556 warrants with an exercise price of $0.10 expiring on November 23, 2019 for two years.

Stock options

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

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7. Share capital and reserves (Continued)

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

	Number of options	Weighted average exercise price
Balance - March 31, 2018 and 2019	2,749,500	$ 0.165
Issued	6,900,000	0.08
Balance –December 31, 2019	9,649,500	$ 0.10

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

On August 28, 2019, the Company granted 6,000,000 stock options to arm's length consultants. The options vested immediately, with an exercise price of $0.08 for a period of five years. The stock options fair value was determined using Black Scholes with a fair value of $420,362 with the following inputs: stock price - $0.075; exercise price - $0.09; expected life – 5 years; volatility – 167%; and risk free rate – 1.23%.

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

The expiry and exercise prices of stock options outstanding and exercisable as at December 31, 2019 is as follows:

Expiry Date	Exercise Price $	Number of options outstanding and exercisable #
June 7, 2020	0.10	249,500
March 9, 2023	0.165	2,500,000
June 13, 2024	0.16	200,000
August 28, 2024	0.08	6,000,000
October 11, 2024	0.09	700,000
		9,649,500

The weighted average life of outstanding options is 4.18 years.

Share-based payment reserve

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

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8. Expenses by nature

General and administrative expenses by nature consist of the following:

For the period ended	**December 31, 2019** **$**	December 31, 2018 $
Office expenses	**11,700**	29,800
Travel and promotion	**5,228**	85,473
Insurance	**7,125**	6,000
Other administrative expenses	**116,971**	8,047
	141,023	129,320

9. Financial instruments and risks

The Company's financial instruments consist of cash, other receivables, and accounts payable. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

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

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

Credit risk

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

Liquidity risk

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

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. As at December 31, 2019, the Company had a cash balance of $830,097 (March 31, 2019 - $4,493,704) to settle current liabilities of $370,901 (March 31, 2019 - $1,778,524).

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9. Financial instruments and risks

Market risk

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

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company has no material exposure at December 31, 2019 to interest rate risk through its financial instruments.

b) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. During the year ended March 31, 2019, the Company sold its subsidiary in the United States and the Company does not have any financial instruments denominated in a foreign currency. Foreign currency risk is assessed as low.

c) Price risk

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

10. Related party transactions

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

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

Period ended	**December 31, 2019 $**	December 31, 2018 $
Consulting fees accrued or paid to a company controlled by the President	**54,000**	50,000
Consulting fees accrued or paid to a company jointly controlled by the CFO	**45,000**	12,000
Professional fees accrued or paid to a company controlled by the President	**72,000**	31,000
Consulting fees accrued or paid to a company jointly controlled by the CEO	**121,155**	63,641
	296,655	274,323

b) As at December 31, 2019, total amounts payable to directors and companies owned thereby in accrued liabilities were $220,438 (March 31, 2019 - $191,619).

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11. Flow-through liability

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

	December 31, 2019 $	March 31, 2019 $
Balance, beginning of the year	743,601	-
Additions	-	1,118,740
Reversal	(743,601)	(375,139)
Balance, end of period	-	743,601

12. Management of capital

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

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

In order to facilitate the management of its capital requirements, the Company prepares monthly and annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations.

The Company is not subject to externally imposed capital requirements. There are no changes in the Company's approach to capital management.

13. Subsequent event

On January 31, 2019, the Company entered into a purchase and sale agreement to acquire 203 mining claims adjacent to and on-strike with the Company's Greater Goldenville Gold Project in Nova Scotia Canada for approximately the cost equal to mining license fees paid to the Government of Nova Scotia. A 2% gross royalty was granted on the claims.

On February 21, 2020, the Company acquired 5 mineral claims for a total of 3,067 hectares, located in British Columbia for $125,000 and 6,000,000 common shares.