



(formerly Eurocontrol Technics Group Inc.)

**Condensed Interim Consolidated Financial Statements
(Unaudited)**

For the three and nine months ended September 30, 2020 and 2019

(in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF PRIOR PERIOD INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The prior period information and amounts in the accompanying unaudited interim consolidated financial statements of 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 the prior period information and amounts in these financial statements.

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Consolidated Financial Statements (Unaudited)**(Expressed in Canadian dollars)**

As at,	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 32,187,932	\$ 9,702,490
Amounts receivable	6	531,896	305,077
Inventory		32,195	-
Prepaid expenses		616,602	141,789
Total current assets		33,368,625	10,149,356
Reclamation deposits	11	1,290,400	75,437
Long term receivable	6	319,181	-
Property, plant and equipment	7	3,587,540	2,796,475
Exploration and evaluation assets	8, 11	25,666,924	24,799,799
TOTAL ASSETS		\$ 64,232,670	\$ 37,821,067
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9, 16	\$ 2,637,037	\$ 1,323,399
Current portion of lease obligation	10	275,826	95,293
Current portion of equipment loans payable	10	32,339	127,279
Total current liabilities		2,945,202	1,545,971
Provision for site reclamation and closure	11	15,606,375	15,351,956
Lease payable	10	483,532	120,920
Flow through premium liability	13	5,480,000	494,000
Total liabilities		24,515,109	17,512,847
Shareholders' equity			
Issued capital	12	61,238,146	33,071,000
Share-based payment reserve	15	2,347,609	1,662,044
Warrant reserve	14	4,473,300	1,640,000
Accumulated deficit		(28,341,494)	(16,064,824)
Total shareholders' equity		39,717,561	20,308,220
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 64,232,670	\$ 37,821,067

Nature of operations (note 1)

Events after the reporting period (note 19)

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)**(Expressed in Canadian dollars)**

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Expenses					
Exploration and evaluation expenditures		\$ 3,737,466	\$ 845,479	\$ 6,732,648	\$ 1,626,363
Mine care and maintenance costs		696,578	-	1,330,185	-
Consulting and wages	17	756,136	120,033	1,829,690	353,440
Administration		328,291	36,148	1,204,816	152,579
Share-based expense	15	125,000	-	350,847	346,000
Public company costs		300,484	48,431	626,966	166,214
Travel and other		41,667	10,223	203,990	15,815
Depreciation of property, plant and equipment	7	139,110	-	356,239	-
Total expenses		6,124,732	1,060,314	12,635,381	2,660,411
Other income and expense					
Finance expense (income)		8,164	(2,875)	12,178	(19,395)
Foreign currency translation (gain) loss		3,280	7,267	3,706	13,611
Realized (gain) on marketable securities	5	-	-	(90,580)	-
Accretion on site reclamation and closure	11	82,450	-	254,420	-
		93,894	4,392	179,724	(5,784)
Loss before income taxes		6,218,626	1,064,706	12,815,105	2,654,627
Income tax recovery	13	-	-	(494,000)	-
Net loss and comprehensive loss		\$ 6,218,626	\$ 1,064,706	\$ 12,321,105	\$ 2,654,627
Loss per share - basic and diluted					
		\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.05
Weighted average common shares outstanding		192,084,252	74,042,217	170,222,496	51,512,625

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)**(Expressed in Canadian dollars)**

	Number of Shares	Issued Capital (Note 12)	Share-based Payment Reserve (Note 15)	Warrant Reserve (Note 14)	Retained earnings (deficit)	Total
Balance as at December 31, 2018	23,112,554	\$ 15,001,591	\$ 298,895	\$ -	\$(11,134,651)	\$ 4,165,835
Issue of shares pursuant to private placement, net of issue costs	37,907,520	4,881,101	-	737,000	-	5,618,101
Issue of shares for acquisition of mineral properties	30,220,000	6,031,900	-	-	-	6,031,900
Share-based expense - options	-	-	332,000	-	-	332,000
Share-based expense - RSU's	-	-	14,000	-	-	14,000
Expiry of stock options	-	-	(84,851)	-	84,851	-
Net loss for the period	-	-	-	-	(2,654,627)	(2,654,627)
Balance as at September 30, 2019	91,240,074	\$ 25,914,592	\$ 560,044	\$ 737,000	\$(13,704,427)	\$ 13,507,209
Issue of shares pursuant to private placement, net of issue costs	22,222,222	4,459,108	-	-	-	4,459,108
Flow through premium liability	-	(494,000)	-	-	-	(494,000)
Shares and warrants issued on corporate acquisition	12,580,000	2,956,300	-	903,000	-	3,859,300
Shares issued as fees on corporate acquisition	1,000,000	235,000	-	-	-	235,000
Share-based expense - options	-	-	1,102,000	-	-	1,102,000
Exchange gain on translation of foreign subsidiaries	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(2,360,397)	(2,360,397)
Balance as at December 31, 2019	127,042,296	\$ 33,071,000	\$ 1,662,044	\$ 1,640,000	\$(16,064,824)	\$ 20,308,220
Issue of shares pursuant to private placement, net of issue costs	75,380,790	29,860,152	-	3,841,000	-	33,701,152
Flow through premium liability	-	(5,480,000)	-	-	-	(5,480,000)
Issue of shares for acquisition of mineral properties (Note 8)	2,275,000	702,125	-	-	-	702,125
Issue of shares for community relations	109,589	36,164	-	-	-	36,164
Exercise of warrants	7,940,745	3,022,660	-	(1,007,700)	-	2,014,960
Exercise of options	75,000	26,045	(8,000)	-	-	18,045
Share-based expense - options	-	-	738,000	-	-	738,000
Expiry of stock options	-	-	(44,435)	-	44,435	-
Net loss for the period	-	-	-	-	(12,321,105)	(12,321,105)
Balance as at September 30, 2020	212,823,420	\$ 61,238,146	\$ 2,347,609	\$ 4,473,300	\$(28,341,494)	\$ 39,717,561

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

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

For the nine month periods ended September 30,	Notes	2020	2019
Cash provided by (used in):			
Operating activities			
Net loss for the period		\$ (12,321,105)	\$ (2,654,627)
Items not involving cash:			
Income tax recovery	13	(494,000)	-
Share based payments	15	738,000	346,000
Shares issued for community relations		36,164	-
Accretion on site reclamation and closure	11	254,420	-
Depreciation of property, plant and equipment	7	356,239	-
Realized gain on marketable securities	5	(90,580)	-
Working capital changes			
Change in amounts receivable		(226,819)	(48,407)
Funds from long term receivable		-	1,300,000
Change in inventory		(32,195)	-
Change in prepaid expenses		(474,813)	(121,560)
Change in long term receivable		(319,181)	-
Change in accounts payable and accrued liabilities		1,313,637	(292,597)
Cash flows used in operating activities		(11,260,233)	(1,471,191)
Investing activities			
Acquisition of exploration and evaluation assets		(165,000)	(540,000)
Acquisition of property, plant and equipment		(452,265)	-
Reclamation deposits		(1,214,963)	-
Repayment of lease and equipment loans		(246,834)	-
(Purchase) Sales of marketable securities, net		90,580	2,526,633
Cash flows from (used in) investing activities		(1,988,482)	1,986,633
Financing activities			
Issue of shares pursuant to private placement		36,059,988	6,125,101
Share issue costs		(2,358,836)	-
Issue of shares pursuant to exercise of warrants and options		2,033,005	-
Cash flows from financing activities		35,734,157	6,125,101
Net increase in cash and cash equivalents for the period		22,485,442	6,640,543
Cash and cash equivalents, beginning of the period		9,702,490	946,611
Cash and cash equivalents, end of the period		\$ 32,187,932	\$ 7,587,154
Supplementary cash flow information			
Interest received		\$ 25,468	\$ 26,376

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine month periods ended September 30, 2020 and 2019

(Expressed in Canadian dollars)



1. NATURE OF OPERATIONS

Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) (“Talisker” or the “Company”) is a publicly listed company incorporated in British Columbia and continued in the Province of Ontario. The Company is engaged in exploration and evaluation of mineral properties in British Columbia. The Company’s shares were listed on the Canadian Securities Exchange (the “CSE”) under the symbol “TSK” and the OTCQB Venture Market under the symbol “TSKFF” as at September 30, 2020. Subsequent to period end, on October 14, 2020 the Company’s shares began trading on the Toronto Stock Exchange (the “TSX”) under the symbol TSK and the Company voluntarily delisted from the CSE. The head office and registered address of the Company is located at 350 Bay Street, Suite 400, Toronto, Ontario, M5H 2S6.

The business of acquiring, exploring, and developing precious mineral deposits involves a high degree of risk. Talisker is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital, exploration, development and operational risks inherent in the mining industry; changes in government policies and regulations; the ability to obtain the necessary environmental permitting; challenges in future profitable production or, alternatively Talisker’s ability to dispose of its interest on an advantageous basis; as well as global economic and commodity price volatility; all of which are uncertain. There is no assurance that Talisker’s funding initiatives will continue to be successful. The underlying value of the mineral properties is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material write-downs of the carrying value of mineral properties and deferred exploration.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 12, 2020.

2. BASIS OF PRESENTATION

Statement of Compliance

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

Basis of Measurement and Significant Accounting Policies

These condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2019 annual financial statements, other than as noted below.

IFRS 3, Business Combinations (“IFRS 3”)

In October 2018, the IASB issued amendments to the guidance in IFRS 3, that revises the definition of a business. The revised guidance introduces an optional concentration test that, if met, eliminates the need for further assessment. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. These amendments are effective and shall be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods.

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine month periods ended September 30, 2020 and 2019

(Expressed in Canadian dollars)



2. BASIS OF PRESENTATION (continued)

beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Principles of Consolidation

These condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2020 and 2019 include the financial position, financial performance and cash flows of the Company and its subsidiary detailed below:

Subsidiary	Country of Incorporation	Economic Interest	Basis of Accounting
Bralorne Gold Mines Ltd.	Canada	100%	Full consolidation

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2019 other than as stated below.

The outbreak of the novel coronavirus ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management's assumption that the Company will continue to operate as a going concern. Based on current legislation, as of September 30, 2020, the Company is required to spend approximately \$14,900,000 out of which \$100,000 is to be spent by December 31, 2020 and \$14,800,000 to be spent by December 31, 2021 in connection with its flow-through offerings (December 31, 2019 - \$3,158,000). On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Assuming the extension will be enacted, as of September 30, 2020, the Corporation is required to spend \$100,000 of flow-through funds by December 31, 2021 and \$14,800,000 of flow-through funds by December 31, 2022. If the extension is not finalized by the Department of Finance, the dates for the flow-through spend requirements will be moved up by one year.

4. CASH AND CASH EQUIVALENTS

The balance at September 30, 2020 consists of cash on deposit with major Canadian banks in interest bearing accounts totaling \$20,415,452 (December 31, 2019 - \$9,602,490) and guaranteed investment certificates with major Canadian banks of \$11,772,480 (December 31, 2019 - \$100,000) for total cash and cash equivalents of \$32,187,932 (December 31, 2019 - \$9,702,490).

Talisker Resources Ltd.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**For the three and nine month periods ended September 30, 2020 and 2019****(Expressed in Canadian dollars)****5. MARKETABLE SECURITIES**

During the nine month period ended September 30, 2020, the Company recognized interest income related to the various investments of \$25,468 (2019 - \$26,376).

During the nine month period ended September 30, 2020, the Company recognized a realized gain of \$90,580 (2019 - \$nil) on sale of various common shares.

6. AMOUNTS RECEIVABLE

As at,	September 30, 2020	December 31, 2019
HST receivable	\$ 531,896	\$ 293,746
Other receivables	-	11,331
	\$ 531,896	\$ 305,077

At September 30, 2020, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 17. The Company holds no collateral for any receivable amounts outstanding as at September 30, 2020 and December 31, 2019.

Long Term Receivable

As at September 30, 2020, the Company recognized a receivable of \$319,181 (December 31, 2019 - \$nil) related to B.C. tax mining credits. The Company expects to receive the refund pending the standard review process by CRA which is expected to take longer than 12 months.

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**For the three and nine month periods ended September 30, 2020 and 2019****(Expressed in Canadian dollars)****7. PROPERTY, PLANT AND EQUIPMENT**

	Machinery and Equipment \$	Buildings \$	Land \$	Water Treatment Facility \$	Vehicles \$	Right-of-Use Asset \$	Total \$
Balance at December 31, 2018	-	-	-	-	-	-	-
Additions	1,149,210	312,500	-	1,252,000	96,700	-	2,810,410
Balance at December 31, 2019	1,149,210	312,500	-	1,252,000	96,700	-	2,810,410
Additions	112,033	-	315,000	-	25,232	695,039	1,147,304
Balance at September 30, 2020	1,261,243	312,500	315,000	1,252,000	121,932	695,039	3,957,714
ACCUMULATED DEPRECIATION							
Balance at December 31, 2018	-	-	-	-	-	-	-
Additions	7,521	2,133	-	3,503	778	-	13,935
Balance at December 31, 2019	7,521	2,133	-	3,503	778	-	13,935
Additions	140,982	38,690	-	63,230	14,963	98,374	356,239
Balance at September 30, 2020	148,503	40,823	-	66,733	15,741	98,374	370,174
NET BOOK VALUE							
At December 31, 2019	1,141,689	310,367	-	1,248,497	95,922	-	2,796,475
At September 30, 2020	1,112,740	271,677	315,000	1,185,267	106,191	596,665	3,587,540

As at September 30, 2020, \$512,566 (December 31, 2019: \$571,736) of machinery and equipment is under lease and loans (see Note 10).

Talisker Resources Ltd.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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(Expressed in Canadian dollars)



8. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets for the Company are summarized as follows:

Project	January 1, 2020	Additions	September 30, 2020
Spences Bridge	\$ 5,701,823	\$ -	\$ 5,701,823
Bralorne Gold Project	17,120,504	-	17,120,504
Baker-Shasta Project	1,127,406	-	1,127,406
Mets Lease	5,917	-	5,917
Bot Property	256,948	-	256,948
Tulox Property	405,963	-	405,963
WCGG Properties	109,338	-	109,338
Merritt Property	41,900	28,250	70,150
Blustry Mountain Property	30,000	-	30,000
Golden Hornet Property	-	66,125	66,125
Royalle Property	-	243,000	243,000
Big Sheep Property	-	120,000	120,000
NaiKun Wind Crown Grant	-	36,000	36,000
Congress Property	-	295,000	295,000
SC Property	-	78,750	78,750
	\$ 24,799,799	\$ 867,125	\$ 25,666,924

During the nine month period ended September 30, 2020, the Company issued 2,275,000 shares with a value of \$702,125 and made cash payments of \$165,000 for property acquisitions.

On July 8, 2020, the Company entered into an agreement with TDG Gold Corp. ("TDG Gold") for TDG Gold to acquire several of Talisker's mineral resource properties located in the Toodoggone region of the province of British Columbia (the "Properties"). In connection with the sale, TDG Gold has entered into an asset purchase agreement (the "Purchase Agreement") with the Company dated July 7, 2020, to purchase the Properties from Talisker on the terms and conditions outlined below under The Transaction. The Properties being acquired by TDG Gold consist of: the Baker Project; the Shasta Mine and the Baker mill infrastructure and equipment; the Chappelle property; the Mets lease; and, the Bot property. The completion of the Transaction is subject to regulatory approval and certain other conditions, including those that are described below.

Pursuant to the Purchase Agreement, TDG Gold will acquire the Properties by issuing to Talisker the greater of 50,000,000 TDG Gold Shares and that number of TDG Gold Shares that equals 30.12% of the issued and outstanding TDG Gold Shares (calculated on a fully-diluted basis) determined immediately following the completion of a listing event. In addition, in the event the listing event has not occurred on or prior to: (a) December 31, 2020, TDG Gold shall issue an additional 2,500,000 TDG Gold Shares to Talisker at the time of closing; and (b) June 30, 2021, TDG Gold shall issue an additional 2,500,000 TDG Gold Shares to Talisker at the time of closing. The transaction is also subject to TDG Gold completing equity financings and having received conditional approval for the listing event. Talisker has the right to terminate the agreement should a listing event not occur by June 30, 2021. On October 5, 2020, Kismet Resources Corp. ("Kismet"), a publicly-listed company, entered into an amalgamation agreement with TDG Gold and 1266834 B.C. Ltd. ("Subco"), a wholly-owned subsidiary of subsidiary of Kismet, pursuant to which Kismet, through its Subco proposes to acquire all of the issued and outstanding securities of TDG Gold by way of a three-cornered amalgamation.

Talisker Resources Ltd.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine month periods ended September 30, 2020 and 2019

(Expressed in Canadian dollars)



9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at,	September 30, 2020	December 31, 2019
Accounts payable	\$ 1,870,880	\$ 932,153
Accrued liabilities	766,157	391,246
	<u>\$ 2,637,037</u>	<u>\$ 1,323,399</u>

10. LEASES AND EQUIPMENT LOANS PAYABLE

Equipment Loan Payable

The Company has entered into loans for mining equipment maturing in 2020 with a fixed interest rate of 4.35% per annum. The Company's obligations under the loans are secured by certain plant and mining equipment.

The contractual maturities and interest charges in respect of the Company's obligations under the equipment loans are as follows:

	September 30, 2020	December 31, 2019
Not later than one year	\$ 32,574	\$ 130,298
Later than one year and not later than five years	-	-
Less: Future interest charges	(235)	(3,019)
Present value of loan payments	<u>32,339</u>	<u>127,279</u>
Less: current portion	<u>(32,339)</u>	<u>127,279</u>
Non-current portion	<u>\$ -</u>	<u>\$ -</u>

Leases Payable

The Company has entered into equipment leases expiring between 2020 and 2021, with interest rates ranging from 4.95% to 5.90% per annum. The Company has the option to purchase the equipment at the end of the lease term for a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

The contractual maturities and interest charges in respect of the Company's finance lease obligations are as follows:

	September 30, 2020	December 31, 2019
Not later than one year	\$ 327,464	\$ 109,066
Later than one year and not later than five years	524,512	129,958
Less: Future interest charges	(92,618)	(22,811)
Present value of lease payments	<u>759,358</u>	<u>216,213</u>
Less: current portion	<u>(275,826)</u>	<u>(95,293)</u>
Non-current portion	<u>\$ 483,532</u>	<u>\$ 120,920</u>

11. PROVISION FOR SITE RECLAMATION AND CLOSURE

Provincial laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine month periods ended September 30, 2020 and 2019

(Expressed in Canadian dollars)



11. PROVISION FOR SITE RECLAMATION AND CLOSURE (continued)

The Company's determination of the environmental rehabilitation provision arising from its activities at the Baker, Bot, and Tulox projects (acquired from Sable Resources Ltd. ("Sable") in April 2019) at September 30, 2020 was \$1,157,832 (December 31, 2019: \$1,157,832). The Company has estimated that the reclamation costs are current costs and as such considers the present value of the provision at September 30, 2020 to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being \$1,157,832 (December 31, 2019: \$1,157,832).

As part of the Company's agreement with Sable, Sable is required to cover any environmental liability in excess of the agreed upon amount of \$316,266. As at September 30, 2020, the excess over this amount is equal to \$841,566. This is a contingent asset and will be recorded in future once the reclamation activities have occurred and Sable have settled their obligation.

The present value of the obligation for Bralorne of \$14,448,543 (December 31, 2019 – \$14,194,124) is based on an undiscounted obligation of \$55,244,507, out of which \$8,385,881 is expected to be incurred in 2027 with the remaining \$46,858,626 to be incurred on water treatment and quality monitoring throughout 2126. The provision was calculated using a weighted average risk-free interest rate of 1.71% (December 31, 2019 – 1.71%) and a weighted average inflation rate of 2% (December 31, 2019 – 2%). Reclamation activities are estimated to begin in 2027 and are expected to be incurred over a period of 100 years.

The breakdown of the provision for site reclamation and closure is as per below:

	September 30, 2020			December 31, 2019		
	Talisker	Bralorne	Total	Talisker	Bralorne	Total
Balance, beginning of period/year	1,157,832	14,194,124	15,351,956	-	-	-
Acquisition of properties	-	-	-	1,157,832	14,177,926	15,335,758
Accretion	-	254,419	254,419	-	16,198	16,198
Balance, end of period/year	1,157,832	14,448,543	15,606,375	1,157,832	14,194,124	15,351,956

Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

	September 30, 2020			December 31, 2019		
	Talisker	Bralorne	Total	Talisker	Bralorne	Total
Balance, beginning of period/year	50,437	25,000	75,437	-	-	-
Additions	14,963	1,200,000	1,214,963	50,437	25,000	75,437
Balance, end of period/year	65,400	1,225,000	1,290,400	50,437	25,000	75,437

The Company has deposited funds totaling \$65,400 (December 31, 2019 - \$50,437) with the Province of British Columbia (the "Province") in relation to disturbance associated with exploration activities at the Baker Gold Project and the Bot and Tulox properties. This deposit is held until the Province is satisfied that the Company has completed certain remediation activities on these properties.

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11. PROVISION FOR SITE RECLAMATION AND CLOSURE (continued)

Reclamation Deposits (continued)

Under the Ministry of Energy, Mines and Petroleum Resources ("MEM"), the Company is required to hold reclamation bonds that cover the estimated future cost to reclaim the ground disturbed. Bralorne is required to pay \$250,000 every six months until a cumulative security equal to \$12,300,000. At September 30, 2020, the surety amounted to \$2,150,000 and the Company has placed \$1,225,000 in cash (December 31, 2019 - \$25,000), totalling \$3,375,000 to cover estimated future costs related to the ground disturbance at the Company's Bralorne project. As at September 30, 2020 the Company is current with all its obligations with the MEM.

12. ISSUED CAPITAL

Authorized Unlimited common shares without par value

	September 30, 2020	December 31, 2019
Issued capital	\$ 61,238,146	\$ 33,071,000
Fully paid common shares ⁽¹⁾	212,823,420	127,042,296

(1) As at September 30, 2020 and December 31, 2019, there are 250,000 shares awaiting issuance, the proceeds for which were received in 2008 and are included in share capital.

Common Shares Issued

	Number of Shares	Value of shares
Balance as at December 31, 2018	23,112,554	\$ 15,001,591
Issue of shares pursuant to private placement, net of issue costs	60,129,742	10,077,209
Issue of shares for acquisition of mineral properties	30,220,000	6,031,900
Shares and warrants issued on corporate acquisition	12,580,000	2,956,300
Shares issued as fees for corporate acquisition	1,000,000	235,000
Warrants issued	-	(696,000)
Broker warrants issued	-	(41,000)
Flow through premium liability	-	(494,000)
Balance as at December 31, 2019	127,042,296	\$ 33,071,000
Issue of shares pursuant to private placement, net of issue costs	75,380,790	29,860,152
Flow through premium liability	-	(5,480,000)
Issue of shares for acquisition of mineral properties (Note 8)	2,275,000	702,125
Issue of shares for community relations	109,589	36,164
Exercise of warrants	7,940,745	3,022,660
Exercise of options	75,000	26,045
Balance as at September 30, 2020	212,823,420	\$ 61,238,146

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

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12. ISSUED CAPITAL (continued)

Financings

On August 13, 2020, the Company closed a bought deal private placement for gross proceeds of \$23,000,000. In connection with the offering, the Company issued an aggregate of 28,260,870 units at a price of \$0.46 for gross proceeds of \$13,000,000 and 15,625,000 charity flow-through units at a price of \$0.64 for gross proceeds of \$10,000,000. Each unit and charity flow through unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.70 for a period of 12 months from the date of issuance thereof. The warrants were ascribed a fair value of \$3,756,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.28%; volatility 132% and an expected life of 12 months.

In consideration for their services, the Company has paid the Agents a cash commission and incurred other closing costs totalling \$1,517,215.

On February 4, 2020, the Company closed a bought deal private placement for total gross proceeds of \$13,059,988. In connection with the offering, the Company issued an aggregate of 15,333,320 common shares at a price of \$0.33 per common Share for gross proceeds of \$5,059,996, and 16,161,600 charity flow-through (FT) common shares of the Company at a price of \$0.495 per Charity FT Share for gross proceeds of \$7,999,992, in which the charity FT shares will qualify as flow-through shares within the meaning of the Income Tax Act (Canada).

In consideration for their services, the Company has paid the Agents a cash commission and incurred other closing costs totalling \$841,621, and issued an aggregate of 620,817 warrants. Each warrant entitles the holder to acquire a common share of the Company at a price of \$0.33 for a period of 24 months. The warrants were ascribed a fair value of \$85,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.47%; volatility 75% and an expected life of 24 months.

Diluted Weighted Average Number of Shares Outstanding

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Basic weighted average shares outstanding	192,084,252	74,042,217	170,222,496	51,512,625
Effect of outstanding securities	-	-	-	-
Diluted weighted average shares outstanding	192,084,252	74,042,217	170,222,496	51,512,625

During the three and nine month periods ended September 30, 2020 and 2019, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

13. FLOW THROUGH PREMIUM LIABILITY

For the purposes of calculating the tax effect of any premium related to the issuances of the flow-through shares, the Company reviewed the share price of the Company's common shares and compared it to determine if there was a premium paid on the shares.

For the nine month period ended September 30, 2020, the Company recognized a \$5,480,000 as a flow-through premium liability on issuance in connection with the private placements described above. The amount will be reduced upon filing of renunciation documents with the Canada Revenue Agency.

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13. FLOW THROUGH PREMIUM LIABILITY (continued)

For the nine month period ended September 30, 2020, the Company recognized an amount of \$494,000, in relation to flow-through private placements closed in the prior year and has recorded the gain as income tax recovery upon filing of renunciation documents with the Canada Revenue Agency which occurred during the nine month period ended September 30, 2020.

14. WARRANTS RESERVE

The following is a summary of changes in warrants from January 1, 2019 to September 30, 2020:

	Number of Warrants	Weighted average exercise price per warrant	Amount
Balance, January 1, 2019	-	\$ -	\$ -
Issue of warrants	11,730,000	0.30	696,000
Issue of broker warrants	518,566	0.14	41,000
Issue of warrants on corporate acquisition	6,290,000	0.25	903,000
Balance, December 31, 2019	18,538,566	\$ 0.28	\$ 1,640,000
Exercise of warrants	(7,940,745)	0.25	(1,007,700)
Issue of broker warrants (Note 12)	620,817	0.33	85,000
Issue of warrants	21,942,935	0.70	3,756,000
Balance, September 30, 2020	33,161,573	\$ 0.57	\$ 4,473,300

As at September 30, 2020, the Company had outstanding warrants as follows:

Expiry Date	Exercise Price	Outstanding and exercisable
April 18, 2021	\$0.30	10,410,500
August 13, 2021	\$0.70	21,942,935
August 29, 2021	\$0.14	188,563
February 4, 2022	\$0.33	619,575
Balance, September 30, 2020		33,161,573

During the nine month period ended September 30, 2020, 7,940,745 warrants were exercised for proceeds of \$2,014,960.

15. SHARE-BASED PAYMENT RESERVE

Stock Option Plan

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with regulatory policies.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last closing price of the Company's common shares before the date of grant or in accordance with regulatory requirements.

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Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following options were outstanding as at September 30, 2020:

Number of options outstanding	Number of exercisable options	Grant date	Expiry date	Exercise price	Fair value at grant date
243,750	243,750	February 19, 2016	February 19, 2021	\$ 0.60	150,609
100,000	100,000	August 22, 2018	August 22, 2023	\$ 0.24	11,000
3,400,000	3,400,000	June 18, 2019	June 18, 2024	\$ 0.20	332,000
5,000,000	5,000,000	December 27, 2019	December 27, 2024	\$ 0.295	1,102,000
1,300,000	1,300,000	February 14, 2020	February 14, 2025	\$ 0.390	367,000
1,100,000	1,100,000	August 20, 2020	August 20, 2025	\$ 0.460	312,000
200,000	200,000	August 20, 2020	August 20, 2022	\$ 0.460	38,000
11,343,750	11,343,750				\$ 2,312,609

The share options outstanding as at September 30, 2020 had a weighted exercise price of \$0.30 (December 31, 2019: \$0.27) and a weighted average remaining contractual life of 4.03 years (December 31, 2019: 4.57 years).

All options vested on their date of issue and expire within five years of their issue, or 90 days after the resignation of the director, officer, employee or consultant.

Fair value of share options granted in the nine month period ended September 30, 2020

On February 14, 2020, 1,300,000 share options were granted to directors, officers and consultants of the Company to acquire the Company's shares at an exercise price of \$0.39 until February 14, 2025. These share options had an estimated fair value of \$367,000 at grant date.

On August 17, 2020, 1,300,000 share options were granted to directors, officers and consultants of the Company with 1,100,000 options to acquire the Company's shares at an exercise price of \$0.46 until August 20, 2025 and 200,000 options to acquire the Company's shares at an exercise price of \$0.46 until August 20, 2022. These share options had an estimated fair value of \$371,000 at grant date.

The fair value of share options granted in the nine month period ended September 30, 2020 was calculated using the following assumptions:

	Number of Options Granted		
	14-Feb-20	20-Aug-20	20-Aug-20
	1,300,000	1,100,000	200,000
Grant date share price	\$ 0.380	\$ 0.395	\$ 0.395
Exercise price	\$ 0.39	\$ 0.46	\$ 0.46
Expected volatility	100%	100%	75%
Expected option life	5 years	5 years	2 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	1.37%	0.37%	0.28%

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15. SHARE-BASED PAYMENT RESERVE (continued)

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on comparable companies and the Company's own stock price, an expected dividend yield, and a risk free interest rate, as noted in the table above. Where relevant, the expected life used in the model has been adjusted based on management's estimation.

Movements in Share Options During the Period

The following reconciles the share options outstanding for the nine month period ended September 30, 2020 and year ended December 31, 2019:

Balance as at December 31, 2018	818,750	\$	0.52
Granted	8,400,000	\$	0.26
Forfeited	(187,500)	\$	0.60
Balance as at December 31, 2019	9,031,250	\$	0.27
Granted	2,600,000	\$	0.43
Exercised	(75,000)	\$	0.24
Expired	(93,750)	\$	0.52
Forfeited	(118,750)	\$	0.60
Balance as at September 30, 2020	11,343,750	\$	0.30

Restricted Share Units

The Restricted Share Unit Plan (RSU Plan) provides for the grant of restricted share units (each, an "RSU") convertible into a maximum number of common shares equal to ten percent (10%) of the number of common shares then issued and outstanding, provided, however, the number of common shares reserved for issuance from treasury under the RSU Plan and pursuant to all other security-based compensation arrangements of the Company shall, in the aggregate, not exceed ten percent (10%) of the number of common shares then issued and outstanding. Any common shares subject to a RSU which has been cancelled or terminated in accordance with the terms of the RSU Plan without settlement will again be available under the RSU Plan. When vested, each RSU entitles the holder to receive, subject to adjustments as provided for in the RSU Plan, one common Share or payment in cash for the equivalent thereof based on the volume weighted average trading price of the common shares on the five trading days immediately preceding the redemption date. The terms and conditions of vesting (if applicable) of each grant are determined by the Board at the time of the grant, subject to the terms of the RSU Plan. RSU awards may, but need not, be subject to performance incentives to reward attainment of annual or long-term performance goals. Any such performance incentives or long term performance goals are subject to determination by the Board and specified in the award agreement.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU the carrying amount is recorded as an increase in common share capital and a reduction in the liability.

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The following table summarizes changes in the number of RSUs outstanding:

	Number of RSU's	Weighted average fair value
Balance, December 31, 2018	-	\$ -
Granted	100,000	\$ 0.14
Balance, December 31, 2019 and September 30, 2020	100,000	\$ 0.14

The following table summarizes information about share-based payment reserve:

Balance as at December 31, 2018	\$ 298,895
Share-based expense - options	1,434,000
Share-based expense - RSU's	14,000
Expiry of stock options	(84,851)
Balance as at December 31, 2019	\$ 1,662,044
Share-based expense - options	738,000
Exercise of RSU's	(8,000)
Expiry of stock options	(44,435)
Balance as at September 30, 2020	\$ 2,347,609

16. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2020 and December 31, 2019 were as follows:

	Fair value through profit or loss	Amortized cost	Other financial liabilities	Total
As at September 30, 2020				
Cash and cash equivalents	\$ -	\$ 32,187,932	\$ -	\$ 32,187,932
Reclamation deposits	-	1,290,400	-	1,290,400
Accounts payable and accrued liabilities	-	-	2,637,037	2,637,037
Leases payable	-	-	759,358	759,358
Equipment loans payable	-	-	32,339	32,339
As at December 31, 2019				
Cash and cash equivalents	\$ -	\$ 9,702,490	\$ -	\$ 9,702,490
Marketable securities	-	-	-	-
Reclamation deposits	-	75,437	-	75,437
Accounts payable and accrued liabilities	-	-	1,323,399	1,323,399
Leases payable	-	-	216,213	216,213
Equipment loans payable	-	-	127,279	127,279

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16. FINANCIAL INSTRUMENTS (continued)

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data

The carrying value of cash and cash equivalents, reclamation deposits, accounts payable and accrued liabilities and leases and loan payables approximate fair value because of the limited terms of these instruments.

17. RELATED PARTY DISCLOSURES

The following is a summary of the Company's related party transactions during the nine month periods ended September 30, 2020 and 2019:

The Company incurred administrative and operations costs in the amount of \$nil and \$28,957 for the three and nine month periods ended September 30, 2020 (2019 - \$nil and \$nil) paid to Sable Resources Ltd., a company with certain common directors and officers.

The Company incurred operations costs in the amount of \$nil and \$103,032 for the three and nine month periods ended September 30, 2020 (2019 - \$nil and \$nil) paid to JDS Energy & Mining Inc., a company with certain common directors and officers.

Compensation of Key Management Personnel of the Company

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the nine month periods ended September 30, 2020 and 2019 were as follows:

	September 30, 2020	September 30, 2019
Short term employee benefits, director fees	\$ 753,136	\$ 507,933
Share based payments	254,000	303,000
	<u>\$ 1,007,136</u>	<u>\$ 810,933</u>

As at September 30, 2020, an amount of \$69,740 (December 31, 2019 - \$91,852) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

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18. COMMITMENTS AND CONTINGENCIES

Flow-Through Shares

As at September 30, 2020, the Company is committed to spending approximately \$14,900,000 out of which \$100,000 is to be spent by December 31, 2020 and \$14,800,000 to be spent by December 31, 2021 in connection with its flow-through offerings (December 31, 2019 - \$3,158,000). On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Assuming the extension will be enacted, as of September 30, 2020, the Corporation is required to spend \$100,000 of flow-through funds by December 31, 2021 and \$14,800,000 of flow-through funds by December 31, 2022. If the extension is not finalized by the Department of Finance, the dates for the flow-through spend requirements will be moved up by one year.

Due to the size, complexity and nature of the Company's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

The Company can acquire 100% of the Golden Hornet property in exchange for payments totalling \$145,000 in cash and 575,000 common shares.

19. EVENTS AFTER THE REPORTING PERIOD

On October 26, 2020, the Company acquired 100% interest in 17 Crown Grant claims located in the Lillooet Mining Division. The Purchase price consisted of a cash payment of \$50,000 and 400,000 common shares of Talisker.