Blue Star Gold Corp.

Interim Condensed Consolidated Financial Statements

For the three months ended February 29, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

MANAGEMENT’S RESPONBILITY FOR FINANCIAL REPORTING

The interim condensed consolidated financial statements and all information in the quarterly report are the responsibility of the Board of Directors and management. These interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control through an Audit Committee. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the financial statements.

The interim condensed consolidated interim financial statements for the three months ended February 29, 2020 are unaudited and prepared by Management. The Company’s independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

BLUE STAR GOLD CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
(Unaudited)
AS AT

	Notes	February 29, 2020	November 30, 2019
ASSETS			
Current			
Cash		$ 1,020,353	$ 94,725
Advances and deposits		50,847	33,491
GST receivables		113,913	94,601
Deferred financing charges		166,130	222,380
Total current assets		1,351,243	445,197
Long-term deposits	6	2,560,542	875,000
Property, plant and equipment	7	6,156	713
Exploration and evaluation assets	8	4,102,272	4,992,290
Total assets		$ 8,020,213	$ 6,313,200
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 124,110	$ 582,511
Due to related parties	9	481,843	376,185
Loans payable – short term	10	462,254	213,524
Convertible debentures – short term	11	278,630	278,630
Total current liabilities		1,346,837	1,450,850
Loans payable – long term	10	2,287,041	881,130
Convertible debentures	11	2,126,218	2,072,054
Total liabilities		5,760,096	4,404,034
Shareholders' equity			
Share capital	12	9,044,629	8,964,629
Obligation to issue shares	10, 11	763,783	187,420
Equity component of convertible debentures	11	580,294	580,294
Reserves- options	12	1,203,705	1,203,705
Reserves- warrants	12	106,978	106,978
Deficit		(9,439,272)	(9,133,860)
Total shareholders’ equity		2,260,117	1,909,166
Total liabilities and shareholders’ equity		$ 8,020,213	$ 6,313,200

Nature of operations and going concern (Note 1)

Approved and authorized by the Board of Directors on April 22, 2020

_*”Kenneth Yurichuk”*_____________ _*”Robert Metcalfe”*_________
Kenneth Yurichuk, Director Robert Metcalfe, Director

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

BLUE STAR GOLD CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended February 29, 2020	Three months ended February 28, 2019
EXPENSES		
Accretion of interest (Notes 10 and 11)	$ 228,641	$ 7,099
Amortization (Note 7)	656	427
Directors fees (Note 9)	25,000	-
Insurance	12,795	7,267
Investor and shareholder relations	57,199	20,099
Office and miscellaneous	19,670	7,996
Professional fees (Note 9)	22,797	22,368
Regulatory and transfer agent fees	6,879	7,629
Rent and administrative services	16,394	16,315
Salaries (Note 9)	140,267	50,765
Travel and entertainment	17,878	-
Loss and comprehensive loss for the period before income tax	(548,176)	(139,965)
Deferred income tax recovery (Note 10)	242,764	-
Loss and comprehensive loss for the period	(305,412)	(139,965)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding	129,717,736	129,600,304

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

BLUE STAR GOLD CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)
(Unaudited)

	Share Capital							
	Number	Amount	Obligation to issue shares	Equity component of convertible debentures	Reserves - options	Reserves - warrants	Deficit	Total
Balance, November 30, 2018	129,600,304	$ 8,964,629	$ -	$ -	$ 686,244	$ 106,978	$ (7,745,023)	$ 2,012,828
Loss for the period	-	-	-	-	-	-	(139,965)	(139,965)
Balance, February 28, 2019	129,600,304	8,964,629	187,420	580,294	1,203,705	106,978	(7,884,988)	1,872,863
Obligation to issue finders' shares	-	-	25,200	-	-	-	-	25,200
Obligation to issue bonus shares	-	-	162,220	-	-	-	-	162,220
Convertible debentures	-	-	-	580,294	-	-	-	580,294
Share-based compensation	-	-	-	-	517,461	-	-	517,461
Loss for the period	-	-	-	-	-	-	(1,248,872)	(1,248,872)
Balance, November 30, 2019	129,600,304	8,964,629	187,420	580,294	1,203,705	106,978	(9,133,860)	1,909,166
Obligation to issue bonus shares	-	-	656,363	-	-	-	-	656,363
Shares issued for finder's fee	560,000	25,200	(25,200)	-	-	-	-	-
Shares issued for loan bonus	1,217,771	54,800	(54,800)	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(305,412)	(305,412)
Balance, February 29, 2020	131,378,075	$ 9,044,629	$ 763,783	$ 580,294	$ 1,203,705	$ 106,978	$ (9,439,272)	$ 2,260,117

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

BLUE STAR GOLD CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended February 29, 2020	Three months ended February 28, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (305,412)	$ (139,965)
Items not affecting cash:		
Accretion of interest	228,641	7,099
Amortization	656	427
Deferred income tax recovery	(242,764)	-
Changes in non-cash working capital items:		
Advances and deposits	(17,356)	6,557
Receivables	(19,312)	83
Accounts payable and accrued liabilities	(105,174)	(24,953)
Due to related parties	(19,342)	(55,181)
Net cash used in operating activities	(480,063)	(205,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	2,435,542	250,000
Net cash provided by financing activities	2,435,542	250,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation deposits	(1,685,542)	-
Acquisition of property, plant and equipment	(6,099)	-
Exploration and evaluation expenditures	(1,023,752)	(50,160)
Reimbursement from Mandalay	1,685,542	-
Net cash used in investing activities	(1,029,851)	(50,160)
Change in cash during the period	925,628	(6,093)
Cash, beginning of period	94,725	15,137
Cash, end of period	$ 1,020,353	$ 9,044
SUPPLEMENT NON-CASH DISCLOSURES		
Exploration and evaluation assets included in accounts payable and accrued liabilities	$ 55,993	$ 169,760
Exploration and evaluation assets included in due to related parties	$ 412,002	$ -

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

1. Nature of Operations

Blue Star Gold Corp. ("Blue Star" or the "Company") was incorporated on April 13, 2007 pursuant to the *Business Corporations Act* of British Columbia. The Company's principal business activity is the acquisition and exploration of mineral property interests. The Company is in the exploration stage and substantially all the Company's efforts are devoted to financing and developing these property interests. There has been no determination whether the Company's interests in unproven exploration and evaluation assets contain economically recoverable mineral resources.

The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "BAU", and its corporate head office is located at 1125 - 595 Howe Street, Vancouver, British Columbia V6C 2T5.

2. Basis of Presentation

a) Statement of compliance

These unaudited interim condensed consolidated financial statements, including comparatives that are unaudited, have been prepared in accordance with IAS 34 ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These interim condensed consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's audited annual financial statements for the year ended November 30, 2019 except for income tax expense which is recognized and disclosed for the full financial year in the audited financial statements.

These interim condensed consolidated financial statements were authorized by the Board of Directors on April 22, 2020

b) Going concern

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of its resource properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. As at February 29, 2020, the Company has an accumulated deficit of $9,439,272 (November 30, 2019 - $9,133,860) and has a working capital of $4,406 (November 30, 2019 – deficiency of $1,005,653) and has incurred significant losses. These circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The recovery of amounts capitalized for exploration and evaluation assets at February 29, 2020 and November 30, 2019 in the consolidated statement of financial position is dependent upon the ability of the Company to arrange appropriate financing to complete the development and continued exploration of the properties. The Company plans to raise funds primarily through the issuance of shares or obtain profitable operations. The outcome of these matters cannot be predicted at this time.

2. Basis of Presentation (continued)

c) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Ulu Mining Inc. and Inukshuk Exploration Incorporated ("Inukshuk"), both incorporated under the laws of British Columbia. All significant intercompany transactions have been eliminated upon consolidation. A subsidiary is an entity that the Company controls, either directly or indirectly. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

d) Functional and presentation currency

The Company and its wholly owned subsidiaries' reporting and functional currency is the Canadian dollar. Monetary assets and liabilities of the Company are translated into Canadian dollars at the exchange rate in effect on the consolidated statements of financial position date, while non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the average rates over the reporting period. Gains and losses from these translations are included in profit or loss.

e) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

f) Estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows.

Critical accounting estimates

i. Recognition of deferred taxes

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

2. Basis of Presentation (continued)

f) Estimates and judgments (continued)

Critical accounting estimates (continued)

ii. Share-based payments

Estimating the fair value of granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected rate of forfeitures, price volatility, interest rate and dividend yield. Changes in the input assumptions can materially affect the fair value estimate of the Company's earnings and reserves.

iii. Interest rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debentures and loans payable. The determination of market interest rate is subjective and could materially affect the fair value estimate.

iv. Recoverable amount of exploration and evaluation assets

The carrying value of exploration and evaluation assets and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

Critical accounting judgements

i. Impairment of exploration and evaluation assets

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

ii. Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. Significant Accounting Policies

These Condensed Interim Consolidated Financial Statements have been prepared using accounting policies consistent with those used in the Company's audited consolidated financial statements for the year ended November 30, 2019.

Adoption of new accounting policies

IFRS 16, Leases ("IFRS 16") was adopted on December 1, 2019, using the modified retrospective approach. This approach does not require restatement of prior period financial information as it applies the standard prospectively. This standard replaced IAS 17, Leases ("IAS 17"). Under IAS 17, operating lease expenditures were expensed on a straight-line basis over the lease term whereas under IFRS 16, there is an increased focus on control of the underlying asset.

Adoption of IFRS 16

The Company has adopted IFRS 16 Leases from December 1, 2019 and has elected to use the modified retrospective approach. The cumulative effect of initial application is recognized in retained earnings as at December 1, 2019 and the Company will not restate comparative information for prior periods presented.

To determine whether a contract contains a lease, the Company applies the new definition of a lease under IFRS 16 namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company's only lease contract is for its office space which will expire on April 30, 2020. The adoption of IFRS 16 won't have significant impact on the Company's financial statements.

4. Capital Management

Capital includes all the components of shareholders equity as well as proceeds from loans. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of its exploration and evaluation assets and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in note 5.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, enter into joint venture property arrangements, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and investments.

To facilitate the management of its capital requirements, the Company prepares budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The budgets are approved by the Board of Directors.

There were no changes in the Company's approach to capital management during the period ended February 29, 2020. The Company is not subject to externally imposed capital requirements.

5. Management of Financial Risk

Fair value measurement disclosure includes classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments as at February 29, 2020 are as follows:

		Level 1		Level 2		Level 3
Financial assets at FVTPL						
Cash	$	1,020,353	$	-	$	-
Financial liabilities at amortized costs						
Accounts payable and accrued liabilities	$	124,110	$	-	$	-
Due to related parties	$	481,843	$	-	$	-
Loans payable	$	-	$	2,749,295	$	-
Convertible debentures	$	-	$	2,404,848	$	-

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Fair value

The carrying value of cash, accounts payable and accrued liabilities and amounts due to related parties approximated their fair value since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. The loans payable and convertible debentures are classified as level 2 due as the fair value is determined based on market interest rates.

b) Interest rate risk

The Company has some exposure at February 29, 2020 and November 30, 2019 to interest rate risk through its financial instruments; however, the risk is not significant as the loans payable and convertible debentures have fixed, simple interest rates between 3% - 7.5% per annum.

c) Currency risk

As at February 29, 2020 and November 30, 2019, the majority of the Company's cash was held in Canadian dollars, the Company's functional and reporting currency. The majority of the Company's accounts payable and accrued liabilities are denominated in Canadian dollars. Loans payable outstanding as at February 29, 2020 and November 30, 2019 are in Canadian dollars. Currency risk is not significant.

5. Management of Financial Risk (continued)

b) Credit risk

Concentration of credit risk exists with respect to the Company's cash, as substantially all amounts are held at major financial institutions. The credit risk associated with cash is minimized by ensuring that these financial assets are placed with financial institutions with investment-grade ratings by a primary ratings agency.

c) Liquidity risk

The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at February 29, 2020, the Company had cash of $1,020,353 (November 30, 2019 - $94,725) to settle current liabilities of $1,346,837 (November 30, 2019 - $1,450,850).

6. Long-term deposits

As at February 29, 2020, the Company has the following long-term deposits:

a) a deposit of $825,000 (November 30, 2019 -$825,000) held with the Kitikmeot Inuit Association pursuant to its application to obtain Land Use License to get access to the Inuit Owned Lands for Hood River exploration camp and operations;

b) a deposit of $1,685,542 (November 30, 2019 - $Nil) with Crown-Indigenous Relations and Northern Affairs Canada, in relation to the Ulu Water License issued by the Nunavut Water Board ("NWB") for the reclamation liability of the mining license;

c) a deposit of $50,000 (November 30, 2019 - $50,000) held with one of the Company's vendors to cover standby charges related to exploration actives.

(Expressed in Canadian dollars)

7. Property, plant and equipment

	Office equipment
COST	
Balance, November 30, 2018 and 2019	$ 8,543
Additions	6,099
Balance, February 29, 2020	14,642
Accumulated amortization	
Balance, November 30, 2018	$ 6,121
Additions	1,709
Balance, November 30, 2019	7,830
Additions	656
Balance, February 29, 2020	$ 8,486
Carrying amounts	
At November 30, 2019	$ 713
At February 29, 2020	$ 6,156

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets

	Hood River Property (Nunavut)	***Ulu Property (Nunavut)***	***Total***
Balance, November 30, 2018	$ 1,108,053	$ 1,438,034	$ 2,546,087
Acquisition - accrual	125,000	-	125,000
Exploration			
Assay	44,405	-	44,405
Camp and supplies	24,792	-	24,792
Consulting	13,115	31,753	44,868
Equipment rental	271,078	-	271,078
Helicopter	696,603	-	696,603
Permits	244,290	217,543	461,833
Site personnel	199,011	-	199,011
Drilling and geological	546,170	-	546,170
Travel	31,493	950	32,443
Balance, November 30, 2019	3,304,010	1,688,280	4,992,290
Acquisition - cash	-	450,000	450,000
Acquisition - accrual	125,000	-	125,000
Exploration			
Assay	951	-	951
Claim maintenance	-	4,737	4,737
Community support	6,679	11,697	18,376
Consulting	2,235	3,000	5,235
Equipment rental	13,500	1,488	14,988
Permits	20,511	94,353	114,864
Drilling and geological	31,684	26,320	58,004
Travel	1,684	1,685	3,369
Cash received from Mandalay	-	(1,685,542)	(1,685,542)
Balance, February 29, 2020	$ 3,506,254	$ 596,018	$ 4,102,272

8. Exploration and Evaluation Assets (continued)

a) Hood River property

Pursuant to a letter of intent dated May 15, 2014, on February 26, 2018, the Company signed the final Transaction Agreement (the "Definitive Agreement") and NSR Royalty Agreement to acquire 100% of the outstanding shares of Inukshuk Exploration Inc. ("Inukshuk"), with an effective date as of September 18, 2014. Inukshuk owns a 100% interest in the Hood River Property in Nunavut through a 20-year renewable mineral exploration agreement ("MEA") dated June 1, 2013, issued by Nunavut Tunngavik Incorporated ("NTI").

Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of the outstanding shares of Inukshuk by issuing the shareholders (the "Vendors") and their assignees 8,000,000 common shares of the Company (issued in 2014 at a fair value of $560,000) for the transaction. The TSX-V approved the transaction on September 18, 2014.

Under the terms of the Royalty Agreement in the Definitive Agreement, the Company will pay the following:

i. Pay a 3% NSR royalty on the disposition of all minerals produced from the Hood River Property;

ii. Make advance royalty payments totalling $500,000 in accordance with the following schedule:

   (1) $25,000 (paid) within 25 business days of TSX-V preliminary approval;
   (2) an additional $100,000 (paid) on or before February 28, 2018;
   (3) an additional $125,000 (accrued) on or before February 28, 2019;
   (4) an additional $125,000 on or before February 28, 2020 (accrued); and
   (5) an additional $125,000 on or before February 28, 2021.

iii. Offer the vendor a right of conveyance if the Company abandons the Hood River Property; and

iv. Maintain the Hood River Property in good standing during the conveyance period.

Prior to the commencement of commercial production on the Hood River Property, the Company has the option to acquire up to 2% of the NSR for up to $8,000,000 under the following terms:

i. Purchase an initial 0.5% of the NSR for $1,000,000;
ii. Purchase an additional 0.5% of the NSR for an additional $1,500,000;
iii. Purchase an additional 0.5% of the NSR for an additional $2,500,000; and
iv. Purchase an additional 0.5% of the NSR for an additional $3,000,000

8. Exploration and Evaluation Assets (continued)

b) Ulu Property

The Ulu Property consists of the renewable 21-year lease with an area of approximately 947 hectares and an expiry date of November 18, 2038.

On May 30, 2014, the Company, entered into an option agreement (the "Option Agreement") with Elgin Mining Inc. and Bonito Capital Corp. (collectively, "Elgin"), to acquire an 80% undivided interest in the Ulu Property. Pursuant to the Option Agreement, the Company issued 5,000,000 shares, paid $125,000, and incurred $300,000 in property expenditures to earn a 70% interest in Ulu. On September 10, 2014, Mandalay Resources Corporation ("Mandalay") acquired Elgin. The Ulu Property is subject to a 5% net production proceeds royalty

On January 8, 2018, the Company and Mandalay entered into the New Ulu Property Option Agreement. The new option agreement supersedes all prior agreements covering Ulu Property. On July 19, 2019, the option agreement was further amended (the "Amended Option Agreement"). TSX-V approved the Amended Option Agreement on November 26, 2019.

Pursuant to the terms of the Amended Option Agreement, the Company is required to pay the following:

- $200,000 to be paid upon the receipt of TSX-V approval for the New Ulu Property Option Agreement dated January 8, 2018; (paid)
- $200,000 to be paid on or before May 31, 2018 (paid); and
- $450,000 (paid) in lieu of issuing 15,000,000 common shares, with such payment being made upon the closing of the transfer of the Ulu Property and associated permits.

Additionally, the Company is required to complete the following:

- Assume all environmental liabilities, past and present, of the Ulu Property, including all current and future obligations to any regulatory agency; and,
- Arrange for a third-party cash payment of $200,000 for the 5,000,000 common shares of the Company presently held by Mandalay upon the closing of the property transfer.

Under the amended agreement, Mandalay will:

- Transfer to the Company 100% interest in the Ulu Property and associated permits upon regulatory approval of the transfers;
- Assign all its rights to the remediation security, valued at approximately $1,680,000 ($1,685,542 received) which is held by the Nunavut Water Board; and,
- Transfer all right, title and interest in all structures, property and equipment located on the Ulu Property.

On November 27, 2019, the Company incorporated a wholly-owned subsidiary, Ulu Mining Inc., to which Ulu Property will be transferred.

8. Exploration and Evaluation Assets (continued)

Title to resource properties

Although the Company has taken steps to verify the title to exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Realization of assets

The investment in and expenditures on exploration properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are permitted to lapse.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

(Expressed in Canadian dollars)

9. Related Party Transactions and Key Management Compensation

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured.

As at February 29, 2020, $481,843 (November 30, 2019 - $376,185) was due to directors and officers of the Company:

		February 29, 2020		November 30, 2019
CEO	$	-	$	4,501
Former CFO		5,000		5,000
Directors		25,000		-
Former director		-		39,840
Former CFO		39,840		39,840
Former director of subsidiary		412,003		287,004
	$	481,843	$	376,185

During the three months ended February 29, 2020 and February 28, 2019, the Company entered into the following transactions with related parties:

		Three months ended February 29, 2020		Three months ended February 28, 2019
Salary - CEO	$	42,000	$	24,000
Salary – CFO		18,750		-
Salary – former CFO		-		15,000
Directors' fees		25,000		-
Professional fee				
- to a firm owned by the former CFO		-		3,742
	$	85,750	$	42,742

9. Related Party Transactions and Key Management Compensation (continued)

Loans and convertible debentures

During the year ended November 30, 2019:

i. the Company entered into three loan agreements with Dr. Georg Pollert, a director of the Company, for total proceeds of $750,000 (Note 10).

ii. On August 16, 2019, Dr. Georg Pollert, a director of the Company, subscribed for 2,200 units of the Company's convertible debenture for a principal of $2,200,000 (Note 11).

During the three months ended February 29, 2020:

i. On November 21, 2019, the Company entered into a loan agreement with Dr. Georg Pollert. The loan principal amount of $2,435,542 was received on December 10, 2019 (Note 10).

In connection to the loans and convertible dentures with Dr. Georg Pollert, the Company recorded an accretion and interest expense of $182,754 (2019 - $nil).

10. Loans Payable

During the year ended November 30, 2018, the Company entered into the following loan agreement:

- On November 30, 2018, the Company entered into a loan agreement for $200,000 with a third party, which is due on November 30, 2020 and has a simple interest rate of 7% per annum.

During the year ended November 30, 2019, the Company entered into the following loan agreements:

- On December 19, 2018, a loan agreement was entered into with a director of the Company for $250,000 (Note 10). The loan bears 7.5% simple interest per annum payable on or before the date of repayment of December 31, 2020. In consideration, the director will receive 1,000,000 bonus shares upon approval by the TSX-V.

- On March 10, 2019, a loan agreement was entered into with a director of the Company for $250,000 (Note 10). The loan bears 7.5% simple interest per annum payable on or before the date of repayment of March 31, 2021. In consideration, the director will receive 1,000,000 bonus shares upon approval by the TSX-V.

- On May 7, 2019, a loan agreement was entered into with a director of the Company for $250,000 (Note 10). The loan bears 7.5% simple interest per annum payable on or before the date of repayment of June 30, 2021. In consideration, the director will receive 1,000,000 bonus shares upon approval by the TSX-V.

- On June 19, 2019, a loan agreement was entered into with a third party for $250,000. The loan bears 7.5% simple interest per annum payable on or before the date of repayment of July 30, 2021. In consideration, the lender will receive 1,000,000 bonus shares upon approval by the TSX-V.

(Expressed in Canadian dollars)

10. Loans Payable (continued)

During the three months ended February 29, 2020, the Company entered into the following loan agreements:

- On November 21, 2019, the Company entered into a loan agreement with Dr. Georg Pollert. The loan principal amount is $2,435,542 (Note 11; received on December 10, 2019). The loan has a term of three years and bears interest at 3% per annum. In relation to the loan, the Company intends to issue up to 7,871,084 bonus shares to Dr. Georg Pollert which was approved by TSX-V on November 26, 2019.

In connection with the bonus shares described above, the Company recognized an obligation to issue shares of $656,363 (November 30, 2019 - $162,220) and a deferred tax recovery of $242,764 (November 30, 2019 - $60,000).

		Liability Component		Equity Component
Balance at November 30, 2018	$	200,000	$	-
Proceeds received		777,780		222,220
Accretion and interest		116,874		-
Deferred income tax recovery		-		(60,000)
Balance at November 30, 2019	$	1,094,654	$	162,220
Proceeds received		1,536,415		899,127
Accretion and interest		118,226		-
Deferred income tax recovery		-		(242,764)
Bonus shares issued		-		(54,800)
Balance at February 29, 2020	$	2,749,295	$	763,783

		February 29, 2020		November 30, 2019
Short-term portion of liability	$	462,254	$	213,524
Long-term portion of liability	$	2,287,041	$	881,130

11. Convertible Debentures

On November 26, 2019, the TSX-V approved the closing of a non-brokered private placement of convertible debentures. Each unit is priced at $1,000 and consists of 20,000 non-secured Convertible Debentures (the “Debentures”) and 20,000 non-transferable Common Share purchase warrants (“Warrants”). Each Debenture bears an annual simple interest rate of 7.5% over its term of up to three years (the "Term") and the interest is to be calculated and paid annually in advance for each year. During the first year of the Term, the conversion price will be $0.05 per share. During the second and third years of the Term, the conversion price will be $0.10 per share. Each Warrant will entitle the holder to purchase one common share of the Company at an exercise price of $0.075 per share during the Term.

(Expressed in Canadian dollars)

11. Convertible Debentures (continued)

The Company received total proceeds of $3,000,000 by issuing 3,000 units of convertible debentures. In November 2019, upon the approval of the TSX-V, the Company issued 60,000,000 warrants to the debenture holders. The Company paid finders' fees of $66,635, incurred legal and filing fees of $41,257, and has an obligation to issue 560,000 finders' shares at a fair value of $25,200 (issued in February 2020).

For accounting purpose, the convertible debentures of $3,000,000 are hybrid financial instruments and were allocated into corresponding debt and equity components at the date of issue. The Company determined the conversion feature and warrant components of the convertible debenture meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price within each year of the Term. The Company used the residual value method to allocate the principal amount of the Debentures between the liability and equity components. The Company valued the debt component of the Debentures by calculating the present value of principal and interest payments, discounted at a rate of 23% which represents managements best estimate of the rate that a non-convertible debenture with similar terms and risk would earn. The debt component is subsequently accreted to the face value of the debt portions of the convertible debentures at the effective interest rate of 22.7%. Upon issuance of the unsecured debentures, the fair value was separated into a debt component of $2,116,662 and an equity component of $883,338. On issuance, the Company recognized deferred financing charges of $278,630 related to interest for the first year payable in advance on the Debentures.

	Liability component	Equity component
Balance, November 30, 2018	$ -	$ -
Convertible debenture at issuance	2,116,662	883,338
Transaction costs	(93,903)	(39,189)
Accretion expense	56,250	-
Interest expense	49,295	-
Interest payable recorded as deferred financing charges	222,380	-
Deferred income tax recovery	-	(263,855)
Balance, November 30, 2019	$ 2,350,684	$ 580,294
Accretion expense	54,164	-
Balance, February 29, 2020	$ 2,404,848	$ 580,294

	February 29, 2020	November 30, 2019
Short-term portion of liability	$ 278,630	$ 278,630
Long-term portion of liability	$ 2,126,218	$ 2,072,054

(Expressed in Canadian dollars)

12. Share Capital and Reserves

a) Authorized

Unlimited number of common shares without par value.

b) Share issuances

At February 29, 2020, the Company had 131,378,075 (November 30, 2019 – 129,600,304) common shares issued and outstanding.

During the three months ended February 29, 2020:

i) the Company issued 560,000 finders' shares with a deemed value of $25,200;

ii) the Company issued 1,217,771 bonus shares (valued at $54,800) to Dr. Gerog Pollert in relation to a loan of $2,453,542 the Company received in December 2019 (Note 10).

There was no share issuance during the year ended November 30, 2019.

c) Stock options

The Company has a stock option plan under which the aggregate number of common shares to be reserved for exercise of all options granted under the plan and any other share compensation arrangement shall not exceed 10% of the issued shares of the Company at the time of granting of options. The stock option plan provides for the granting of stock options to regular employees and persons providing investor relations or consulting services up to a limit of 5% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. Options granted to consultants providing investor relations services shall vest at a minimum over a period of twelve months with no more than one-quarter of such options vesting in any three-month period. Options, other than options granted to consultants providing investor relations services, shall vest immediately.

During the year ended November 30, 2019, the Company granted to directors, officers and consultants 10,450,000 stock options, exercisable at $0.06 per share for a term of 5 years. These options vested on the date of grant. The fair value of the stock options granted was $517,461 ($0.05 per option).

The fair value of the stock options granted was determined using the Black-Scholes option price modelling with the following assumptions:

Weighted average assumptions	**Year ended November 30, 2019**
Risk free interest rate	1.58%
Volatility	147.44%
Expected life of options	5 years
Dividend rate	0%

(Expressed in Canadian dollars)

12. Share Capital and Reserves (continued)

c) Stock options (continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2018	3,300,000	$ 0.10
Expired/cancelled	(825,000)	0.10
Granted	10,450,000	0.06
Balance, November 30, 2019	12,925,000	$ 0.07
Expired/cancelled	(250,000)	0.10
Balance, February 29, 2020	12,675,000	$ 0.07
Exercisable, at February 29, 2020	12,675,000	$ 0.07

At February 29, 2020, the Company has the following outstanding stock options enabling holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
2,225,000	$ 0.10	August 19, 2020
10,450,000	$ 0.06	October 17, 2024

(Expressed in Canadian dollars)

12. Share Capital and Reserves (continued)

d) Warrants

During the year ended November 30, 2019, the Company issued 60,000,000 warrants with an exercise price of $0.075 in three years, pursuant to the private placement of convertible debentures closed on November 26, 2019 (Note 11).

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2018	15,350,000	$ 0.10
Expired/cancelled	(15,350,000)	0.10
Granted	60,000,000	0.075
Balance, November 30, 2019 and February 29, 2020	60,000,000	$ 0.075
Exercisable, at February 29, 2020	60,000,000	$ 0.075

As at February 29, 2020, the following share purchase warrants were outstanding:

Number of Options	Exercise Price	Expiry Date
60,000,000	$ 0.075	November 26, 2022

13. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At February 29, 2020 and November 30, 2019, the Company's exploration and evaluation assets are located in Canada. All expenses and cash receipts pertaining to exploration and evaluation activities are capitalized.