Consolidated Financial Statements
(Expressed in Canadian dollars)

ASIAN MINERAL RESOURCES LIMITED

For the three months ended June 30, 2020 and 2019

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of Asian Mineral Resources Limited (the “company”) have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements.

The Company’s independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute Of Chartered Accountants for a review of condensed interim financial statements by an entity’s auditors.

ASIAN MINERAL RESOURCES LIMITED

Consolidated Balance Sheets
As at June 30, 2020 and December 31, 2019
(Expressed in Canadian dollars)
(Unaudited)

	Notes		June 30, 2020		December 31, 2019
Assets					
Current assets:					
Cash and cash equivalents		$	1,008,612	$	493,045
Accounts receivable and prepaid expenses	7		36,985		26,966
			1,045,597		520,011
Mineral property	8		100,000		100,000
			100,000		
Total assets		$	1,145,597	$	620,011
Liabilities and Shareholders' Equity (Deficit)					
Current liabilities:					
Short-term loans	9	$	58,362	$	56,925
Trade payables and accrued liabilities	10		250,049		94,643
Investment advance	11		542,485		-
Total liabilities			850,896		151,568
Shareholders' equity (deficit):					
Share capital	12		132,602,926		132,256,259
Share-based payments reserve			484,924		484,924
Deficit			(132,793,149)		(132,272,740)
Total shareholders' equity (deficit)			294,701		468,443
Total liabilities and shareholders' equity (deficit)		$	1,145,597	$	620,011

Going concern (note 1)

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

ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars)
For the three and six months ended June 30, 2020 and 2019
(Unaudited)

	Notes	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Operating costs			-		-
General and administrative expenses	13	$ (223,536)	$ (48,492)	$ (271,616)	$ (76,533)
Exploration recovery expense		-	-	-	(850)
Decklar transaction costs			-	(250,000)	-
Other costs		-	(99)	-	(99)
Operating loss		(223,536)	(48,591)	(521,616)	(77,482)
Finance income		189	194	2,644	501
Finance expense		(723)	(1,299)	(1,437)	(2,568)
Net income (loss) for the period		$ (224,070)	$ (49,696)	(520,409)	$ (79,549)
Basic and diluted shareholders' income (loss) per share	12(f)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding 12(f)		24,940,942	8,746,447	23,867,133	8,746,447

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

ASIAN MINERAL RESOURCES LIMITED

Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars, except number of common shares)
For the six months ended June 30, 2020 and 2019
(Unaudited)

	Number of common shares (note 12)	Share capital (note 12)	Share-based payments reserve	Deficit	Shareholders' equity
Balance, January 1, 2019	8,746,437	$ 131,256,259	$ 506,142	$ (131,975,282)	$ (212,881)
Expiry of options	-	-	(21,218)	21,218	-
Net income for the period	-	-	-	(79,549)	(79,549)
Balance, June 30, 2019	8,746,437	131,256,259	484,924	(132,033,613)	(292,430)
Issue of shares, net of costs	13,333,333	1,000,000	-	-	1,000,000
Net income for the period	-	-	-	- (239,127)	(239,127)
Balance, December 31, 2019	22,079,770	132,256,259	484,924	(132,272,740)	468,443
Issue of shares, net of costs	3,466,666	346,667	-	-	346,667
Net income for the period	-	-	-	(520,409)	(520,409)
Balance, June 30, 2020	25,546,436	$ 132,602,926	$ 484,924	$ (132,793,149)	$ 294,701

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

ASIAN MINERAL RESOURCES LIMITED

Condensed Consolidated Statements of Cash flows
(Expressed in Canadian dollars)
For the three and six months ended June 30, 2020 and 2019
(Unaudited)

	Notes	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash provided by (used in):					
Operating activities:					
Net (loss) for the period		$ (224,070)	$ (49,697)	$ (520,409)	$ (79,549)
Items not involving cash:					
Share-based payments	12(d)(i)	-	-	-	-
Changes in non-cash operating working capital:					
Accounts receivable and prepaid expenses		(4,587)	62,140	(10,019)	62,681
Accounts payable and accrued liabilities		142,292	2,348	155,406	(6,307)
Other		725	1,299	1,437	2,568
Cash flow provided by (used in) operating activities		(85,640)	16,090	(373,585)	(20,607)
Financing activities:					
Proceeds from exercise of warrants		96,667	-	346,667	-
Investment advances		542,485	-	542,485	-
Cash flow provided by financing activities		639,152	-	889,152	-
Net increase (decrease) in cash and cash equivalents		553,512	16,090	515,567	(20,607)
Effect of foreign exchange rate fluctuations on cash held in foreign jurisdictions		-	-	-	-
Cash and cash equivalents, beginning of period		455,100	89,340	493,045	126,037
Cash and cash equivalents, end of period		$ 1,008,612	$ 105,430	$ 1,008,612	$ 105,430

Supplemental cash flow information (note 16)

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

1. Nature of business and going concern:

Asian Mineral Resources Limited (the "Company" or "AMR") is incorporated under the laws of the Province of British Columbia by a certificate of continuance as of December 31, 2004, having previously been incorporated and registered under the New Zealand Companies Act 1993. On April 19, 2004, the Company became listed on the TSX-Venture Exchange (TSX-V). The Company's principal business activities are the exploration and development of mineral property interests. The Company's registered corporate office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada M5H 1T1.

The Company's principal mineral property interest, until July 17, 2018, was a nickel joint venture, in the Ban Phuc Project Area located 160 km west of Hanoi in Son La Province, in northwestern Vietnam. Development of the project completed in 2012, with commercial production commencing November 1, 2013. Mining and processing operations were suspended in September 2016 and the operations were sold in 2018, after approval by the Company's shareholders, allowing for an orderly exit from Vietnam.

Subsequent to quarter-end, on July 17, 2020 the Company completed an agreement to acquire all the issued and outstanding shares of Nigerian-based Decklar Petroleum Limited, whose sole asset is a Risk Service Agreement with Millenium Oil and Gas Company Limited ('Millenium'). Millenium is the owner of the Oza Field located onshore in the northern part of Oil Mining License 11 in the Eastern Niger Delta of Nigeria (note 20(a)). The Company will now focus on assisting with the development and funding of Millenium's oil assets.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course as they come due. As at June 30, 2020, the Company had an accumulated deficit of $132.8 million, with cash and cash equivalents of $1.0 million, and working capital of $194,701. Financing was announced August 31, 2020 for the initial development of the new Nigerian asset, however this financing is not yet finalized (note 20(a)). Additional funding will be required for corporate administrative expenditures. The Company currently has no source of operating cash flow and no assurance that additional funding will be available. These factors indicate the existence of an uncertainty that may cast doubt about the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to obtain requisite financing in the future and, if realized, such financing might not be favourable to the Company and might involve dilution to existing shareholders. Should the Company not be able to continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities would be required.

2. Basis of preparation:

(a) Statement of compliance:

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

(b) Approval of the financial statements:

The consolidated financial statements of the Company for the period ended June 30, 2020, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 31, 2020.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

(a) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, utilizing the accrual method of accounting unless otherwise described in the following notes.

(b) Revenue recognition:

Revenue from sales of minerals is recognized at the time of shipment, at which time legal title and risk pass to the customer and provisional revenue is recorded at current month average price as per the London Metals Exchange. Changes between the prices recorded upon recognition of provisional revenue and final price due to fluctuation in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue and receivables. Changes in the estimate of mineral content resulting from the final independent analysis are recognized at the point at which such analysis is agreed upon between the Company and its customers.

(c) Currency translation:

The functional and presentation currency of the Company is the Canadian dollar.

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less when acquired.

(f) Prepayments:

Prepayments to suppliers and contractors are based on the contract progress, with payments made at specified stages of the contract. These payments are recognized in the balance sheet as prepaid expenses.

(g) Property, plant, and equipment:

Property, plant and, equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Plant and equipment includes capitalized development expenditures. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

3. Significant accounting policies (continued):

(g) Property, plant, and equipment (continued):

Depreciation is provided on plant and equipment, calculated on a unit-of-production basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual financial period with the effect of any changes recognized on a prospective basis.

Asset	Basis	Rate range
Building, machinery, motor vehicles, infrastructure	Straight-line	14% - 25%
Furniture and office equipment	Straight-line	11% - 33%
Licenses and franchises	Straight-line	11% - 33%
Plant and mine development	Unit of production based mineral reserves	

The expenditures related to construction are capitalized as construction-in-progress and are included within property, plant, and equipment. Construction in progress represents the cost of remaining plant and mine development, which is under construction. Costs directly attributable with ongoing construction related activities during the commissioning phase of new assets incurred in the period before they are operating in the way intended by management are capitalized; all other costs not directly attributable are expensed. No depreciation is provided for construction in progress during the period of construction.

(h) Mineral property interest:

Exploration expenses incurred prior to determination of the technical feasibility and commercial viability of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of technical feasibility and commercial viability of mining operations and issuance of a mining license are deferred, less accumulated amortization and accumulated impairment losses, if any, until the property to which they relate commences commercial production, is sold, allowed to lapse or is abandoned. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves; however, this determination may be impacted by management's assessment of certain modifying factors. When commercial production in an area of interest has commenced, the associated costs are amortized over the estimated economic life of the mine on a units-of-production basis using proven and probable reserves.

Changes in factors such as estimates of proven and probable reserves that affect units-of-production calculations are accounted for on a prospective basis.

(h) Impairment of long-lived assets:

At the end of each year or at each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the

3. Significant accounting policies (continued):

(h) Impairment of long-lived assets (continued):

impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognized in profit and loss in the period the impairment indicator is identified.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset or CGU is increased to its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. The reversal of an impairment loss is recognized immediately in profit and loss.

(i) Reserve estimates:

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects* ("NI 43-101"). Reserves are used when performing impairment assessments on the Company's mineral property, for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs, and in determining the depletion of mineral properties.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs, or recovery rates may change the economic status of reserves and may, ultimately, result in changes to reserve estimates. Any adjustments are accounted for prospectively.

(j) Share capital:

Common shares are classified as equity. The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued at the quoted market price on the date the shares are issued or a price determined using an appropriate formula to represent market value and agreed upon by the governing public stock exchange.

(k) Warrants:

From time to time, warrants are issued as part of a unit which is made up of a common share and a full or partial warrant. The warrant allows the holder to acquire common shares of the Company. The Company uses the residual value in assigning the value to the warrant, which is included in the warrant reserve in the statement of equity.

3. Significant accounting policies (continued):

(l) Share-based payments:

The Company has a share option plan, under which the fair value of all share-based awards is estimated using the Black-Scholes Option Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset is credited to share-based payment reserve.

Upon the exercise of the share purchase options, consideration paid together with the amount previously recognized in the share-based payment reserve is recorded as an increase to share capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to deficit.

(m) Interest expense:

Interest is recognized using the effective interest method, taking into account the principal outstanding and the effective rate over the period to maturity.

(n) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent that the tax relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be in effect when temporary differences reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3. Significant accounting policies (continued):

(o) Financial assets

Financial asset are measured at:

(i) Amortized cost;

(ii) Fair Value in Other Comprehensive Income ("FVOCI") – debt investment;

(iii) FVOCI – equity investment; and

(iv) Fair Value Through Profit or Loss ("FVTPL").

The classification depends on the business model in which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, Financial Instruments, are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3. Significant accounting policies (continued):

(o) Financial assets (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets

Financial assets measured at amortized cost, contract assets, and debt investments in FVOCI, but not investments in equity instruments, are assessed for credit impairment under the expected credit loss (“ECL”) model of impairment. This impairment model applies to lease receivables, loan commitments, and financial guarantee contracts; the Company has no such items. The financial assets at amortized cost consist of accounts receivables and cash and cash equivalents.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts and other receivables are presented separately in the statement of profit or loss and OCI. Impairment losses on other financial assets are presented under ‘finance costs’, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

3. Significant accounting policies (continued):

(p) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity dates. The Company has classified accounts payable and short term loan as liabilities at amortized cost.

De-recognition of financial liabilities

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(q) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. For all periods presented, income (loss) available to common shareholders equals the reported income (loss) attributable to the shareholders of the Company.

Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year.

4. Changes in accounting standards:

The accounting policies applied by the Company in these audited condensed consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2019.

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

5. Critical judgments in applying accounting policies:

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 6), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

(a) Impairment indicators for mineral property:

Management uses several criteria in its assessment of impairment indicators for mineral property including geologic and metallurgic information, conclusions and recommendations in technical reports, existing permits, and intentions to continue with exploration or to abandon.

5. Critical judgments in applying accounting policies (continued):

(b) Going concern:

The assessment of the Company's ability to continue as a going concern (note 1) involves judgment regarding its future funding. Judgments must also be made with regard to events or conditions, which might give rise to significant uncertainty.

6. Key sources of estimation uncertainty:

The preparation of the consolidated financial statements requires management to make estimates and assumptions of the effect of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Differences between the actual results and present estimates and assumptions have the potential to materially affect the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effect on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that may result in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

(a) Impairment of mineral properties, plant, and equipment:

The Company considers both external and internal sources of information in assessing whether there are any indications that mineral properties, plant, and equipment are impaired. External sources of information the Company considers include changes in the market, economic, and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties, plant, and equipment. Internal sources include the manner in which mineral properties, plant, and equipment are being used or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mineral properties, plant, and equipment, the Company's management makes estimates of the discounted future after-tax cash flows expected to be derived from its mineral properties using an appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse current economics can result in a write down of the carrying amounts of the Company's mineral properties, plant, and equipment.

(b) Share-based compensation:

The Company includes an estimate of forfeitures, share price volatility, expected life of awards, and risk-free interest rates in the calculation of the expense related to certain long-term employee incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the share-based payments reserve.

(Expressed in Canadian dollars, unless otherwise stated)

7. Accounts receivable and prepaid expenses:

	June 30, 2020	December 31, 2019
GST refundable	$ 9,628	$ 25,858
Prepaid insurance and other receivables	27,357	1,108
	$ 36,985	$ 26,966

8. Mineral Property:

During the quarter ended September 30, 2018 the Company entered into an option agreement with Island Time Exploration Limited ("Island Time") for the exclusive right to acquire up to 75% interest in four mineral titles totalling 3,687 hectares situated east of Duncan, British Columbia in the Victoria Mining Division (the "Holt Option" Agreement), in consideration for a fee of $100,000, payable by way of a promissory note (note 9). The exercise of the Holt option, which has been subsequently amended, is conditional upon the Company paying the remaining amount payable on the promissory note to Island Time on or before December 31, 2020 (note 9) and incurring an aggregate of $300,000 of exploration and development expenditures on the property, with $100,000 on or before December 31, 2020 and $200,000 on or before December 1, 2021. The claims are subject to a 2% net smelter return royalty.

9. Short-term loan:

	June 30, 2020	December 31, 2019
Promissory note payable to Island Time	$ 58,362	$ 56,925

During the year ended December 31, 2019, the Company made principal payments of $50,000 towards the promissory note. At June 30, 2020 the remaining balance of the promissory note payable to Island Time is $50,000 plus accrued interest. The note is payable on December 31, 2020 and bears interest at 5% per annum.

10. Trade payables and accrued liabilities:

	June 30, 2020	December 31, 2019
Trade and other payables	$ 215,049	$ 72,993
Due to related party (note 14)	35,000	21,650
	$ 250,049	$ 94,643

(Expressed in Canadian dollars, unless otherwise stated)

11. Investment advances:

Prior to June 30, 2020 the Company received $542,485 as proceeds on the exercise of 5,424,850 warrants (note 12 (e)) although the shares related to these warrants were not issued from the Company's treasury until July 2020. The exercise proceeds of $542,485 were categorized as investment advances at June 30, 2020.

12. Share capital:

(a) Authorized:

The Company's share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, January 1, 2019	8,746,437	$ 131,256,259
Issued by private placement (note 12(c)(i))	8,533,333	640,000
Issued for investment advances (note 12(c)(i))	4,800,000	360,000
Balance, December 31, 2019	22,079,770	132,256,259
Issued on exercise of warrants (note 12(c)(i))	3,466,666	346,667
Balance, June 30, 2020	25,546,436	$ 132,602,926

(c) Share issuances and Share-based compensation:

(i) Common shares:

During the first half of 2020 the Company issued 3,466,666 common shares for $346,667 on exercise of share warrants (Note 12 (e)).

In September 2019 the Company completed a non-brokered private placement of 8,533,333 units at a price $0.075 per unit, for aggregate gross proceeds of $640,000 and issued 4,800,000 units at a price of $0.075 to settle $360,000 of investment advances. Each unit consisted of one common share of the Company, and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.10 per common share for 24 months. All securities issued pursuant to the private placement were subject to a four-month hold period. No finder's fees were paid in connection with the placement.

(Expressed in Canadian dollars, unless otherwise stated)

12. Share capital (continued):

(c) Share issuances and Share-based compensation (continued):

(ii) Common share options:

The Company grants share purchase options pursuant to the policies of the TSX-Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person, and termination of eligible person status. The purpose of the share purchase options is to retain and motivate management, staff, consultants, and other qualified individuals by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth.

During the quarters ended June 30, 2020 and 2019, there were no share-based compensation expense related to the vesting of share options previously granted to directors and employees.

The continuity of outstanding share purchase options for the year ended June 30, 2020, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2019	Granted	Exercised	Expired/ cancelled/ forfeited	Balance June 30, 2020
April 5, 2022	$10.00	75,000	-	-	-	75,000
April 5, 2022	$15.00	75,000	-	-	-	75,000
April 5, 2022	$20.00	75,000	-	-	-	75,000
		225,000	-	-	-	225,000
Weighted average exercise price		$ 15.00	-	-	-	$ 15.00
Weighted average remaining life (years)		2.55	-	-	-	1.81

The continuity of outstanding share purchase options for the year ended June 30, 2019, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2018	Granted	Exercised	Expired/ cancelled/ forfeited	Balance June 30, 2019
November 5, 2019	$10.00	3,704	-	-	(3,704)	-
April 5, 2022	$10.00	75,000	-	-	-	75,000
April 5, 2022	$15.00	75,000	-	-	-	75,000
April 5, 2022	$20.00	75,000	-	-	-	75,000
		228,704	-	-	(3,704)	225,000
Weighted average exercise price		$ 14,92	-	-	-	$ 15.00
Weighted average remaining life (years)		3.22	-	-	-	2.76

(Expressed in Canadian dollars, unless otherwise stated)

12. Share capital (continued):

(d) Share issuances and Share-based compensation (continued):

(ii) Common share options (continued):

As at June 30, 2020, 225,000 share purchase options were exercisable (December 31, 2019: 225,000 options). These options have a weighted average exercise price of $15.00 per share (December 31, 2019: $15.00 per share).

(e) Common share purchase warrants

In September 2019, the Company issued 13,333,333 common share purchase warrants entitling the holder to acquire one common share at a price of $0.10 per common share for 24 months (note 12(c)(i)). The warrants were valued at $nil using the residual value method. During the first half of 2020, 3,466,666 warrants were exercised for a total exercise price of $346,667. Subsequent to quarter end, in July 2020, 6,733,337 warrants were exercised (note 20 (b)).

(f) Income/ (loss) per share ("EPS"):

The loss and weighted average number of outstanding shares used in the calculation of basic and diluted loss per share are as follows:

	June 30, 2020	June 30, 2019
Net loss for the 3-month period ended - used in the calculation of basic EPS	$ (224,070)	$ (49,696)
Weighted average number of outstanding shares for the purpose of basic EPS	24,940,942	8,746,447
Weighted average number of outstanding shares used in the calculation of diluted EPS	24,940,942	8,746,447
Basic earnings/(loss) per share	$ (0.01)	$ (0.01)
Diluted earnings/(loss) per share	$ (0.01)	$ (0.01)

	June 30, 2020	June 30, 2019
Net loss for the 6-month period ended - used in the calculation of basic EPS	$ (520,409)	$ (79,549)
Weighted average number of outstanding shares for the purpose of basic EPS	23,867,133	8,746,447
Weighted average number of outstanding shares used in the calculation of diluted EPS	23,867,133	8,746,447
Basic earnings/(loss) per share	$ (0.02)	$ (0.01)
Diluted earnings/(loss) per share	$ (0.02)	$ (0.01)

(Expressed in Canadian dollars, unless otherwise stated)

13. General and administrative expenses:

	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Salaries, wages and benefits	$ 21,350	$ 22,500	$ 40,000	$ 40,325
Professional and regulatory	184,929	5,000	194,363	5,000
Office, administrative and share-based compensation	17,257	20,993	37,253	31,208
	$ 223,536	$ 48,493	$ 271,616	$ 76,533

14. Related party transactions:

(a) Balances receivable and payable:

The amounts due to a related party and included in accounts payable, are non-interest bearing, unsecured, and due on demand, and comprise the following:

	June 30, 2020	December 31, 2019
Due to a senior officer	$ 35,000	$ 21,650

(b) Key management personnel:

Key management personnel includes the salaries and consulting fees paid and/or accrued to the Company's senior officers and directors as follows:

	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Salary and consulting fees	$ 21,350	$ 22,500	$ 40,000	$ 40,325
Share-based payments, directors and senior officers	-	-	-	-
	$ 21,500	$ 22,500	$ 40,000	$ 40,325

15. Segment information:

The Company conducts its business as a single reportable operating segment. Currently, the Company has an option on an exploration property located in Canada.

(Expressed in Canadian dollars, unless otherwise stated)

16. Supplemental cash flow information:

	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Supplemental information:				
Interest received	$ 642	$ 194	$ 3,096	$ 194
	$ 642	$ 143	$ 3,096	$ 957

17. Financial risk management:

(a) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term guaranteed investment certificates and accounts receivable. The Company's cash balances are held with major Canadian banks and in the view of the Board are considered creditworthy. The Company only deals with reputable financial institutions and regularly assesses international exposure and market risk. The Company has a small investment in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. As at June 30, 2020, the Company had GST refundable and other prepaid and receivables, in the amount of $36,985 (June 30, 2019 - $13,672), that were not considered past due.

(a) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to aid in determining the funds required to support normal operating requirements on an ongoing basis, including its capital development and exploration expenditures. As at June 30, 2020, the Company had cash and cash equivalents of $1,008,612 (June 30, 2019- $105,430) and accounts payable, accrued liabilities and other current liabilities of $850,896 (June 30, 2019 - $511, 532) (see Note 1).

The Company's primary market risks include changes in foreign exchange and interest rates on financial instruments in other than Canadian dollars. At June 30, 2020, the Company had no hedging agreements in place with respect to metal prices or exchange rates.

(c) Market risk:

(*i*) Currency risk:

The Company currently has no currency risk.

(*ii*) Interest rate risk:

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

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present historically low;

(Expressed in Canadian dollars, unless otherwise stated)

. Financial risk management (continued):

(c) Market risk (continued):

(*ii*) Interest rate risk (continued):

however, the Company's conservative investment strategy mitigates the risk of deterioration to capital invested. A change of 100 basis points in the interest rate would not be material to the consolidated financial statements.

(*iii*) Commodity price risk:

The Company currently has no sale of commodities, as it does not have a producing asset. Metal prices have historically fluctuated significantly and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities, and certain other factors. The Company has not engaged in any hedging activities to reduce its exposure to commodity price risk.

(d) Financial assets and liabilities:

As at June 30, 2020, the carrying and fair values of the Company's financial instruments by category are as follows:

	Amortized cost	Financial liabilities	Fair value	Less than 1 year	1 to 3 years
Financial assets					
Cash and cash equivalents	$1,008,612	$ -	$ 1,008,612	$1,008,612	$ -
Accounts receivable and prepaid expenses	36,985	-	36,985	36,985	-
Total financial assets	$ 1,045,597	$ -	$ 1,045,597	$1,045,597	$ -
Financial liabilities					
Short-term loans	$ -	$ 58,362	$ 58,362	$ 58,362	$ -
Trade payables and accrued liabilities	-	250,049	250,049	250,049	-
Investment advance	-	542,485	542,485	542,485	-
Total financial liabilities	$ -	$ 850,896	$ 850,896	$ 850,896	$ -

(e) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

17. Financial risk management (continued):

(e) Fair value (continued):

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full contractual term of the asset or liability.
- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities and other current liabilities approximate their respective fair values due to the short-term nature of these instruments.

The Company has no financial assets or liabilities, recorded at fair value, included in Level 1 or 3 of the fair value hierarchy.

18. Capital management:

The Company manages its capital structure and makes adjustment to it, in order to have the funds available to support its exploration, development, and other activities. The adequacy of the capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company’s strategy, the metals markets, the mining industry, economic conditions, and the associated risks. The Company’s capital management approach is reviewed on an ongoing basis. The Company is not subject to externally imposed capital requirements.

19. COVID-19

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant wide-spread stock market declines and the movement of people and goods has become restricted, affecting supply, demand and pricing for many products.

The mineral exploration sector is expected to be impacted significantly as many local and regional governments have issued public health orders in response to COVID-19, including restricting the movement of people, which could impact the Company's ability to access its mineral property and complete exploration programs in the coming year. Commodity prices have fluctuated significantly since December 31, 2019 in the wake of the COVID-19 pandemic.

As the Company does not have production activities, it is reliant on additional financing to fund ongoing general and administrative costs. An extended disruption may affect the Company’s ability to obtain additional financing.

The impact of these factors on the Company is not yet determinable; however they may have a material impact on the Company’s financial position, results of operations and cash flows in future periods.

20. Subsequent events

a) Decklar Petroleum Limited

On July 17, 2020 the Company completed an agreement to acquire all the issued and outstanding shares of Nigerian-based Decklar Petroleum Limited ("Decklar"). Decklar's sole asset is a Risk Service Agreement ("RSA") with Millenium Oil and Gas Company Limited ("Millenium"). Millenium is the owner of the Oza Field located onshore in the northern part of Oil Mining License 11 in the Eastern Niger Delta of Nigeria. The RSA entitles Decklar to cost recovery and a share of distributable funds from the Oza Field in exchange for technical and financial support. Closing of the acquisition was subject to certain customary conditions, including the exercise of at least 10,000,000 of the 13,333,333 outstanding common share purchase warrants of the Company. The initial date to close this transaction was and as part of the extension there was a fee payable to Decklar of $250,000.

The aggregate purchase price (the "Purchase Price") was payable through the issuance of 22,000,000 common shares of the Company ("Shares"). An additional 8,000,000 Shares are payable only if the Oza Field achieves a minimum production rate net to Millenium of 1,000 bbls/d for a period of ten consecutive days in any thirty day period within twelve months of the date of closing.

The 22,000,000 Shares paid upon closing of the transaction were allocated as to: (i) 14,000,000 Shares to the shareholders of Decklar; and (ii) 8,000,000 Shares to extinguish outstanding debt owed by Decklar to certain arm's length third parties.

On August 31, 2020, it was announced that Decklar Petroleum Limited had entered a Subscription Agreement with San Leon Energy plc,('San Leon'), an AIM listed company, for the purchase of $7.5 million of 10% unsecured subordinated loan notes of Decklar ('Loan notes') and 1,764,706 ordinary shares ('Decklar Shares') of Decklar (representing 15% of the share capital of Decklar) for a cash consideration of US$7,500,000 and ₦1,764,706, respectively. In addition, Decklar and San Leon have entered into an option agreement that entitles San Leon to purchase an additional US$7.5 million of Loan Notes and 2,521,008 Decklar Shares (increasing their interest to 30% of the share capital of Decklar) for cash consideration of US$7.5 million and ₦2,521,008, respectively, at any time until the date that is forty-five (45) days after the well test results of the first development well on the Oza Oil Field have been delivered to San Leon. The Subscription Agreement provides for certain conditions precedent to be confirmed prior to finalizing and issuing of the Loan Notes and Decklar Shares, including entering into an agreed form of shareholders' agreement in respect of Decklar and the restructuring of certain historical indebtedness by the owner/operator of the Oza field, Millenium, to the satisfaction of San Leon at its sole discretion. The transactions contemplated by the Subscription Agreement and Option Agreement are subject to approval by the TSX Venture Exchange.

In addition, Millenium has entered into a non-binding term sheet with a local Nigerian bank and the trading subsidiary of a large multinational oil company active in Nigeria for up to US$33,000,000 in a five year term debt that provides a use-of-proceeds of US$22,000,000 to refinance existing debt of Millenium and US$11,000,000 for development activities on the Oza Oil Field, based on entering into a crude sales and purchase contract. Decklar is expected to provide a corporate guarantee as part of this US$33,000,000 term debt facility ("Development Debt"). Concurrently with entering into the Subscription Agreement, San Leon has advanced US$750,000 as an initial deposit (the "Deposit") with the release of the balance of the US$7,500,000 being subject to the satisfaction (or waiver) of the conditions precedent contained in the Subscription Agreement. In the event the transactions contemplated by the Subscription Agreement are not completed on or prior to September 30, 2020, Decklar will be required to repay the Deposit to San Leon within three months of that date.

20. Subsequent events (continued)

a) Decklar Petroleum Limited (continued)

The terms of the Loan Notes provide for an interest rate of ten (10)% per annum, which accrues on a quarterly basis and will have a maturity date that is five (5) years from the date of issuance. No payments (whether on account of interest or principal) are required under the Loan Notes unless there are available funds from operations (after taking into account any required debt servicing payments, general and administrative expenses, approved joint venture capital and operating costs required to be funded by Decklar under the RSA with Millenium, taxes and other statutory payments) (the “Available Funds”). All Available Funds shall be applied to the payment of interest and principal in respect of the Loan Notes until they are repaid in full. Upon repayment of the Loan Notes, 50% of the Available Funds will be applied to payment of interest and principal in respect of the Option Loan Notes until they are repaid in full, with the remaining 50% of such Available Funds being retained by Decklar. The Loan Notes are unsecured, subordinated and contain customary events of default. The transactions contemplated by the Subscription Agreement and Option Agreement are subject to approval by the TSX Venture Exchange.

b) Exercise of warrants

In July 2020, warrant holders exercised 6,733,337 warrants resulting in the issue of 6,733,337 treasury common shares of the Company on receipt of the $673,334 exercise price. As of June 30, 2020 $542,485 of the exercise proceeds had been received and set up as an investment advance (note 11).