



MacDonald Mines Exploration Ltd.

**CONDENSED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**



MacDonald Mines Exploration Ltd.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND NOTICE TO READER**

The accompanying unaudited condensed interim financial statements of Macdonald Mines Exploration Ltd. (the "Company") for the three months ended March 31, 2020 are the responsibility of the Company's management ("Management") and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed interim financial statements in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for condensed interim financial statements.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professionals Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

**MacDonald Mines Exploration Ltd.**  
**Statements of Financial Position**  
*(Expressed in Canadian dollars)*  
(Unaudited)

	Notes	March 31, 2020 \$	December 31, 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	536,717	847,448
Taxes and other receivables	7, 13	95,534	388,195
Prepaid expenses		49,798	88,915
Marketable securities		1,760	4,324
<b>Total Current Assets</b>		<b>683,809</b>	<b>1,328,882</b>
<b>Non-Current assets</b>			
Equipment	8	4,812	6,847
<b>Total Non-Current Assets</b>		<b>4,812</b>	<b>6,847</b>
<b>Total Assets</b>		<b>688,621</b>	<b>1,335,729</b>
<b>Liabilities and Shareholders' (Deficit)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10, 13	674,729	475,618
Flow-through share premium liability	11	-	42,822
Flow-through provision	12	250,000	980,848
<b>Total Liabilities</b>		<b>924,729</b>	<b>1,499,288</b>
<b>Shareholders' (Deficit)</b>			
Share capital	14	43,061,185	43,064,791
Contributed surplus	14	22,425,405	21,835,092
Warrants reserve	14	1,919,729	2,185,363
Deficit		(67,642,428)	(67,248,805)
<b>Total Shareholders' (Deficit)</b>		<b>(236,109)</b>	<b>(163,559)</b>
<b>Total Liabilities and Shareholders' (Deficit)</b>		<b>688,621</b>	<b>1,335,729</b>

**Nature of Business and Going Concern** (Note 1)

**Commitments** (Notes 15)

**Subsequent Events** (Note 16)

These condensed interim financial statements are authorized for issuance by the Board of Directors on May 29, 2020.

Approved on behalf of the Board of Directors: (Signed) "Quentin Yarie" Director (Signed) "Stuart Adair" Director

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

**MacDonald Mines Exploration Ltd.**  
**Statements of Loss and Comprehensive Loss**  
*(Expressed in Canadian dollars)*  
(Unaudited)

		<b>For the Three Months Ended March 31,</b>	
	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		\$	\$
<b>Expenses</b>			
Exploration expenditures	9, 13	636,371	20,002
Salaries, professional and consulting fees	13	86,333	27,436
Shareholder communication		83,944	17,282
General and administrative		17,740	29,436
Depreciation		2,035	3,957
Share-based compensation	13, 14(b)	324,679	-
Deferred flow-through share premium	11	(42,822)	(2,891)
		<b>(1,108,280)</b>	<b>(95,222)</b>
Foreign exchange (loss)		-	(53)
(Loss) on marketable securities		(2,564)	(1,532)
Expenses before finance items		<b>(1,110,844)</b>	<b>(96,807)</b>
<b>Finance items</b>			
Interest income		346	436
Interest expense		-	(1,997)
Recovery of accrued flow-through provision	12	716,875	-
<b>Net loss and comprehensive loss</b>		<b>(393,623)</b>	<b>(98,368)</b>
<b>Loss per share - basic and diluted</b>		<b>(0.00)</b>	<b>0.00</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>156,257,851</b>	<b>85,142,965</b>

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

**MacDonald Mines Exploration Ltd.**  
**Statements of Changes in Shareholders' Deficit**  
*(Expressed in Canadian dollars)*  
(Unaudited)

	Common Shares	Share Capital	Shares to be Issued	Contributed Surplus	Warrant Reserve	Warrants to be issued	Other Comprehensive (Loss)	Accumulated Deficit	Total Deficit
		\$	\$	\$	\$	\$		\$	\$
<b>Balance at December 31, 2018</b>	<b>83,300,083</b>	<b>38,503,262</b>	<b>180,000</b>	<b>20,742,666</b>	<b>1,892,760</b>	<b>165,364</b>	<b>(17,358)</b>	<b>(61,567,08)</b>	<b>(100,387)</b>
Net loss for the period	-	-	-	-	-	-	-	(1,382,729)	(1,382,729)
<b>Balance at March 31, 2019</b>	<b>85,142,965</b>	<b>38,684,656</b>	<b>49,500</b>	<b>20,917,996</b>	<b>2,012,649</b>	<b>45,475</b>	<b>-</b>	<b>(62,967,168)</b>	<b>(1,256,892)</b>
<b>Balance as at December 31, 2019</b>	<b>156,257,851</b>	<b>43,064,791</b>	<b>-</b>	<b>21,835,092</b>	<b>2,185,363</b>	<b>-</b>	<b>-</b>	<b>(67,248,805)</b>	<b>(163,559)</b>
Expiry of Warrants	-	-	-	265,634	(265,634)	-	-	-	-
Share issue costs	-	(3,606)	-	-	-	-	-	-	(3,606)
Share-based compensation	-	-	-	324,679	-	-	-	-	324,679
Net loss for the period	-	-	-	-	-	-	-	(393,623)	(393,623)
<b>Balance at March 31, 2020</b>	<b>156,257,851</b>	<b>43,061,185</b>	<b>-</b>	<b>22,425,405</b>	<b>1,919,729</b>	<b>-</b>	<b>-</b>	<b>(67,642,428)</b>	<b>(236,109)</b>

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

**MacDonald Mines Exploration Ltd.**  
**Statements of Cash Flows**  
(Expressed in Canadian Dollars)  
(Unaudited)

	For the Three Months Ended March 31,	
	2020	2019
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(393,623)	(98,368)
Items not affecting cash:		
Depreciation	2,035	3,957
Loss on marketable securities	2,564	1,532
Deferred premium on flow-through shares	42,822	(2,891)
Share-based compensation	324,679	-
Recovery of accrued flow-through provision	(716,875)	-
Net change in non-cash working capital items:		
Taxes and other receivables	291,219	(6,965)
Prepaid expenses	39,117	-
Accounts payable and accrued liabilities	138,010	7,889
<b>Net cash used in operating activities</b>	<b>(307,125)</b>	<b>(94,847)</b>
<b>Financing activities</b>		
Share issue costs	(3,606)	-
Repayment of short-term debt	-	200,000
<b>Net cash provided by financing activities</b>	<b>(3,606)</b>	<b>200,000</b>
<b>Change in cash and cash equivalents</b>	<b>(310,731)</b>	<b>105,153</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>847,448</b>	<b>351,991</b>
<b>Cash and cash equivalents, end of year</b>	<b>536,717</b>	<b>457,145</b>

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

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**1. Nature of Business and Going Concern**

MacDonald Mines Exploration Ltd. (the “Company”) is a publicly traded company actively engaged in the acquisition, exploration and development of mineral properties. The Company's registered office is Suite 1001, 145 Wellington Street West, Toronto, Ontario, Canada, M5J 1H8. Since November 1, 2011, the Company is continued under the Canadian Business Corporations Act. Prior to November 1, 2011, the Company was continued under the Quebec Business Corporations Act (formerly, Part 1A of the Companies Act (Quebec)). The Company's Class A common shares are listed on the TSX Venture Exchange (“TSXV”) under the ticker symbol “BMK”. The Company's functional and presentation currency is Canadian Dollars.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. 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, and the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose its interests on an advantageous basis.

These condensed interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board on a going concern basis which assumes the Company will be able to meet its obligations and continue its operations for the next 12 months. During the three months ended March 31, 2020, the Company incurred a net loss and comprehensive loss of \$393,623 and had an accumulated deficit of \$67,642,428 (2019 - \$67,248,805), and as of that date, had a working capital deficit of \$240,921 (2019 – \$170,406).

The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. There is no assurance that the Company will continue to be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These condensed interim financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

**2. Basis of Preparation and Statement of Compliance**

These condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim financial statements have been prepared on a going concern basis, under historical cost convention except for certain financial instruments that have been measured at fair value. In addition, these

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**2. Basis of Preparation and Statement of Compliance (continued)**

condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The principal accounting policies and critical estimates and judgements, used when compiling these condensed interim financial statements are set out below. These condensed interim financial statements were approved by the Board of Directors on May 29, 2020.

**3. Significant Accounting Policies**

**a) Functional and Presentation Currency**

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”), which was determined to be Canadian dollars. The condensed interim financial statements are presented in Canadian dollars, which is the Company’s presentation currency. Transactions in currencies other than the Canadian dollar are translated at rates at the time of the transactions as follows:

- (i) Monetary assets and liabilities are translated at current rates of exchange at each reporting date with the resulting gain or losses recorded in foreign exchange gain/loss in the statements of loss and comprehensive loss;
- (ii) Non-monetary items are translated at historical exchange rates and are not retranslated; and
- (iii) Expense items are translated at the rates of exchange prevailing on the dates of the transactions.

**b) Cash and Cash Equivalents**

Cash and cash equivalents include cash, demand deposits and short-term, highly-liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents have maturities of three months or less at the date of acquisition. Interest earned is included in interest income on the statements of loss and comprehensive loss.

**c) Marketable Securities**

Marketable securities consist of equity securities over which the Company does not have control or significant influence.

**d) Taxes and Other Receivables**

Taxes and other receivables consists primarily of HST/QST receivable from the government authorities in Canada in respect of the Company’s expenses and cost reimbursement from third parties.

**e) Mineral Properties and Exploration Expenditures**

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**3. Significant Accounting Policies (continued)**

**f) Impairment of Non-Financial Assets**

The carrying values of equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to loss to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in statements of loss and comprehensive loss.

**g) Loss per Common Share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company's outstanding stock options and warrants were anti-dilutive for the three months ended March 31, 2020 and 2019.

**h) Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common shares and warrants on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model.

**i) Share-based Compensation**

Share-based compensation transactions are measured based on the fair value of the share-based compensation issued. The Company grants stock options to certain employees, directors and consultants under the terms of the Company's Stock Option Plan. Each tranche in an option award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires estimates for the expected life of options and stock price volatility which can materially affect the fair value estimate. Volatility and expected life of option is estimated based on an analysis of factors such as the Company's historical price trends, history of option holder activity, and peer and industry benchmarks for similar transactions.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**3. Significant Accounting Policies (continued)**

**i) Share-based Compensation (continued)**

Share-based compensation transactions with parties other than employees and directors are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**j) Income Taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the condensed interim financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive loss depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**k) Flow-through Shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is deferred and recognized as other income as the expenditure incurs, and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**l) Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**3. Significant Accounting Policies (continued)**

**m) Equipment**

Equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use. Depreciation is provided over the estimated useful lives of the equipment using the following methods:

- Exploration equipment – 50% declining balance
- Vehicles – 30% straight-line

**n) Rehabilitation Provision**

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, dismantling operating facilities, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. When applicable for closed sites, changes to estimated costs are recognized immediately in the statement of loss and comprehensive loss. As March 31, 2020 and 2019 the provision was \$nil.

**o) Financial Assets and Liabilities**

IFRS 9 – Financial instruments (“IFRS 9”) includes guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVTOCI”) based on the business model in which they are held and the characteristics of their contractual cash flows.

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets classified as FVTPL are measured at fair value with changes in fair value on those items recognized in net loss and comprehensive loss. Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost of FVTOCI.

The Company’s marketable securities are classified as financial assets measured at FVTPL.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**3. Significant Accounting Policies (continued)**

**o) Financial Assets and Liabilities (continued)**

ii. Amortized Cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

The Company's cash and cash equivalents, and accounts receivable, excluding HST, are classified as financial assets measured at amortized cost.

iii. Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective yield basis is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company's accounts payable and accrued liabilities approximate their amortized costs.

ii. Financial liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they do not fall into amortized cost detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Recognition and measurement

Instruments classified as FVTPL are measured at fair value with gains and losses arising from the changes in fair value of the securities presented in the statement of loss and comprehensive loss as the net unrealized gains or losses in the period they arise. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive loss.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**3. Significant Accounting Policies (continued)**

**o) Financial Assets and Liabilities (continued)**

Determination of fair values

The determination of fair value requires judgement and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of securities based on quoted trading prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period.

Disposition of marketable securities

Realized gains or losses on the disposal of securities and unrealized gains and losses on securities classified as FVTPL are reflected in profit or loss on the transaction date and are calculated on a weighted average cost basis.

Derecognition of financial liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of loss and comprehensive loss.

Impairment of financial assets

Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine if there is any indication of impairment. As at March 31, 2020, the fair values of the financial assets classified at amortized cost approximate their carrying value due to their short-term nature.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at March 31, 2020, marketable securities valued at \$1,760 (2019 - \$4,324) were measured using Level 1 inputs.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**3. Significant Accounting Policies (continued)**

**p) New Standard Adopted By The Company**

The following standard was adopted by the Company as of January 1, 2019. The impact of the adoption of this standard is disclosed below.

**IFRS 16 – Leases (“IFRS 16”)**

IFRS 16 was issued in January 2016 and replaced IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not have any financial statement impact on the Company’s statements of financial position at transition on January 1, 2019, as the Company does not have any leases in place.

**q) Critical Accounting Judgements and Estimates**

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate, but are not limited to, the following:

*Going concern*

The preparation of the condensed interim financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the condensed interim financial statements.

*Share-based compensation and warrant valuation*

The Black-Scholes option valuation model used by the Company to determine fair values for stock-based compensation was developed for use in estimating the fair value of freely traded options. This model requires input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**3. Significant Accounting Policy (continued)**

**q) Critical Accounting Judgements and Estimates (continued)**

Deferred taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Deferred Flow-Through Premium Estimates

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability. The fair values of the flow-through premiums are disclosed in Note 9 of the condensed interim financial statements.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the condensed interim financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

**4. Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its capital stock, warrants, and contributed surplus components of its shareholders' deficit. The properties in which the Company currently has an interest are in the early exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended March 31, 2020 and 2019.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**5. Financial Risks Factors**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

*Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash on deposits with banks. Included in taxes and other receivables at March 31, 2020 is \$68,937 (2019 - \$131,698) relating to sales taxes receivable from various Canadian governments. The remaining balance at March 31, 2020 of \$26,597 (2019 - \$256,497) relates to balances due from related parties. Management believe that the credit risk concentration with respect to its financial instruments is remote.

*Liquidity Risk*

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at March 31, 2020, the Company had a cash and cash equivalent balance of \$536,717 (2019 - \$847,448) to settle current liabilities of \$924,729 (2019 - \$1,499,288). As a result, the Company is exposed to liquidity risk.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

*Market Risk*

Market risk is the risk of loss that might arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to limited interest rate risk, as it only holds cash and cash equivalents and does not have any interest-bearing debt.

ii) Foreign Currency Risk:

The Company also holds a bank account denominated in United States dollars; therefore, it is subject to risk in fluctuations in the exchange rate of the United States dollar against the Canadian dollar. However, as at March 31, 2020 and 2019, the Company had a minimal balance in its US bank balance; therefore, the impact of any change in the United States dollar versus the Canadian dollar would be insignificant.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

**6. Cash and Cash Equivalents**

Cash and cash equivalents consist of:	March 31, 2020	March 31, 2019
	\$	\$
Cash deposit	506,717	427,145
Cash equivalents	30,000	30,000
	<b>536,717</b>	<b>457,145</b>

**7. Taxes and other receivables**

	March 31, 2020	March 31, 2019
	\$	\$
Taxes recoverable	68,937	80,096
Related party loans (note 14)	21,597	1,695
Other	5,000	-
	<b>95,534</b>	<b>81,791</b>

**8. Equipment**

The following tables summarize the Company's fixed asset carrying values as at March 31, 2020 and 2019, respectively:

	2020		
	Cost	Accumulated Depreciation	Carrying Value
	\$	\$	\$
Exploration Equipment	83,739	(83,271)	468
Vehicles	52,012	(47,668)	4,344
	<b>135,751</b>	<b>(130,939)</b>	<b>4,812</b>

	2019		
	Cost	Accumulated Depreciation	Carrying Value
	\$	\$	\$
Exploration Equipment	83,739	(82,801)	937
Vehicles	52,012	(33,922)	18,090
	<b>135,751</b>	<b>(116,723)</b>	<b>19,027</b>

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

**9. Mineral Properties**

The Company has ownership interests in the several exploration projects. The Scadding-Powerline-Jovan (“SPJ”) project is the main focus of exploration.

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its current properties:

	SPJ	Holdsworth	Charlevoix	Other	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2018	551,718	3,210,668	689,218	9,969,663	14,421,266
Property acquisition costs	2,257,353	-	-	-	2,257,353
Exploration expenditures	1,144,498	18,529	-	-	1,163,027
<b>Balance, December 31, 2019</b>	<b>3,953,569</b>	<b>3,229,197</b>	<b>689,218</b>	<b>9,969,663</b>	<b>17,841,646</b>
<b>Property acquisition costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exploration expenditures</b>	<b>636,371</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>636,371</b>
<b>Balance, March 31, 2020</b>	<b>4,589,940</b>	<b>3,229,197</b>	<b>689,218</b>	<b>9,969,663</b>	<b>18,478,017</b>

a) Scadding-Power-Jovan Property

The SPJ property consists of the Scadding, Powerline, Jovan, Blueberry, Loney and Golden Copper properties.

On April 24, 2019, the Company signed definitive agreements with both Northern Sphere Mining Corp. (“Northern Sphere”) and Currie Rose Resources Inc. (“Currie Rose”), to purchase a 100% interest in the leases comprising the Scadding Mine, as well as additional mineral claims that surround the permitted Scadding Mine site (collectively, the “Scadding Mine”), which is located east of Sudbury in Northern Ontario. The Scadding Mine is located in Scadding Township near the Wanapitei – Ashigami Lakes district, 40 kilometres east of Sudbury, Ontario. The site was initially mined by Northgate Exploration in the 1980’s.

To acquire Northern Sphere’s 51% interest in the Scadding Mine and 100% interest in the surrounding claims, the Company, upon satisfaction of certain conditions, will:

- issue 10,000,000 of the Company’s common shares upon transfer of title; (10,000,000 shares issued on September 10, 2019 valued at \$900,000 - (note 15))
- make a \$100,000 cash payment; (\$100,000 paid on signing of definitive agreements)
- incur \$300,000 in eligible exploration expenditures in the 12-month period following acquisition of the Scadding Mine.

The agreement with Northern Sphere is subject to both a standstill clause and voting requirements. To acquire Currie Rose’s 49% interest in the Scadding Mine, the Company upon satisfaction of certain conditions, will:

- issue 8,000,000 of the Company’s common shares; (8,000,000 shares were issued on September 4, 2019, the fair value of the shares were \$640,000 - (note 15))
- make a \$50,000 cash payment on transfer of title; (\$50,000 paid on signing of definitive agreements)
- incur \$1.5M of eligible exploration expenditures on the leases partially comprising the Scadding Mine over a three-year period.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
**For the three months ended March 31, 2020 and 2019**

---

**9. Mineral Properties (continued)**

As part of the agreement, Currie Rose retains a 3% Net Smelter Return (“NSR”) on the property. Upon reaching commercial production, the Company agrees to pay Currie Rose \$2,000,000 upon reaching commercial production in exchange for a reduction of the NSR to 2.5%. An additional 1% of the NSR can be bought back for \$1,000,000. 514 Finance Inc. acted as an arms-length advisor for this transaction and the Company issued 2,000,000 common shares for its services. The fair value of the shares issued was \$160,000 (note 15).

On July 9, 2019, the Company entered into agreement with Blueberry Cobalt Project Corp. to purchase a 100% interest in certain claims located in greater Sudbury, Ontario. In consideration for the purchase of the mining claims the Company paid \$50,000 in cash and issued 3,000,000 common shares. The fair value of the shares issued were \$150,000.

On September 2, 2019, the Company entered into an agreement with Klondike Bay Resources (Loney Property) to acquire a 100% interest in 151 claims in the Wanapitei Lake area, 33 kilometres northeast of Sudbury, Ontario. The terms of the purchase agreement were as follows:

- \$20,000 and 200,000 shares on signing of agreement,
- \$30,000 and 300,000 shares on or before First Anniversary of Agreement
- \$30,000 and 250,000 shares on or before Second Anniversary of Agreement

The Company made a cash payment of \$20,000 upon signing the definitive agreements. On November 8, 2019, the Company issued 200,000 common shares. The fair value of the shares issued was \$20,000 (note 15).

On October 2, 2019, the Company entered into an agreement with Golden Copper Corp. to purchase 100% interest in 38 mining claims located 35 kilometres from downtown Sudbury, Ontario. The Company made a cash payment of \$5,000 upon signing the definitive agreements. On November 8, 2019, the Company issued 1,875,000 common shares. The fair value of the shares issued was \$187,500 (note 15).

On July 18, 2018, the Company announced it acquired an option to earn 100% interests in the Jovan and Powerline properties. The purchase price was structured to be payable over a three-year period and included cash payments totaling \$225,000, the issuance of commons shares valued at \$180,000 and the commitment to spend up to \$800,000 in exploration activities. The Company made a cash payment of \$37,500 upon signing the definitive agreements. On October 5, 2018, the Company issued 500,000 common shares, valued at \$20,000 pursuant to the definitive agreement. On August 14, 2019, in accordance with agreement, the Company issued 800,000 common shares, valued at \$40,000 (note 15), and paid \$45,500 cash.

b) Holdsworth Property

On December 7, 2016 (“the “Effective Date”), the Company entered into an Option and Joint Venture (“JV”) agreement (“the Option Agreement”) with Noble Mineral Exploration Inc. (“Noble”), to advance exploration on Noble’s Wawa-Holdsworth Gold and Silver Project (the “Holdsworth Project”), located 25 kilometres northeast of Wawa, Ontario. Subject to the terms and conditions of the Option Agreement, the Company will have the right to earn up to an undivided 75% interest in the Project, comprising of a first option to earn a 51% base interest and a second option to earn an additional 24% interest. The property covers 18 contiguous patented mining claims covering approximately 285 hectares.

To earn an initial 51% undivided interest (“the Base Interest”) in the Holdsworth Project, the Company issued 2,500,000 of its Class A Common Shares and 2,500,000 share purchase warrants to Noble and must incur a minimum of \$1,200,000 in expenditures in the 18-month period following the Effective Date. The share purchase warrants have an exercise price of \$0.15 and expire 3 years from the date of issue. The Company issued the common shares and share purchase warrants on January 12, 2017. To earn the additional 24% undivided interest, the Company shall incur a further \$1,000,000 of expenditures on or before the second anniversary of the date the 51% interest is exercised and the Base Interest is earned and make a payment of \$100,000 to Noble.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
**For the three months ended March 31, 2020 and 2019**

---

**9. Mineral Properties (continued)**

On May 3, 2017, the Option Agreement was replaced with a purchase agreement whereby the Company agreed to acquire the Holdsworth Project from Noble (the "Purchase Agreement"). The purchase price comprised the following: (i) 5,500,000 units of the Company; (ii) the granting a 1.5% net smelter return royalty in favour of Noble and (iii) the payment of the equivalent of 5,000 ounces of gold once a mineral reserve or resource has been identified compliant with National Instrument 43-101 guidelines. Each unit shall comprise one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of \$0.30 and a 3-year term from the date of issue. The Purchase Agreement supersedes the Option Agreement. Payment of the 5,500,000 units shall be issued in tranches to ensure Noble's shareholdings in the Company does not exceed 9.9%.

On October 25, 2018, the Company announced that it had elected to cease any further work at its Wawa-Holdsworth Project and rather focus its efforts on the Jovan and Powerline properties. The remaining shares and warrants will no longer be issued under the purchase agreement.

As at March 31, 2020, the Company had issued 5,225,000 units to Noble under the Purchase Agreement.

c) Charlevoix-Silica Property

On November 18, 2016, the Company entered into a purchase agreement with 9019-5504 Quebec Inc. to acquire a 100% interest in certain 6 mining claims located in the Province of Quebec known as the Charlevoix Silica Property. In consideration for the purchase of the mining claims, the Company issued 9,000,000 common shares on January 12, 2017 valued at \$0.07 per share.

d) McFaulds Lake and Area Properties

The Company has held property in this region of northern Ontario since 2004 and is subject to NSR on certain claims.

On August 5, 2016, the Company entered into an agreement with Noront Resources Ltd. ("Noront") to sell a 75% interest of certain lands in the property through the issuance of 2,318,393 common shares of Noront at a deemed value of \$750,000. On the date of the transaction, the fair value of the shares received was \$799,846. The Company has a 25% carried interest in the property until such time as an Inferred Mineral Resource has been filed on the property by Noront in accordance with NI 43-101, at which time ("the Notification Date") a Joint Venture shall automatically be deemed to be formed between Noront and the Company.

The Company shall have twenty business days following the Notification Date (the "Conversion Right Exercise Period") in which to make a one-time election to transfer its 25% carried interest in the Property to Noront in exchange for a 1% NSR on the property. If the Company fails to exercise the Conversion Right within the Conversion Right Exercise Period, Noront shall have the option (the "Buy-Back Option"), exercisable for twenty days following the expiry of the Conversion Right Exercise Period, to elect to purchase the Company's 25% carried interest in the Property for a purchase price of \$3,000,000 (the "Buy-Back Purchase Price"), payable in cash or Noront shares at the option of Noront.

During the year ended December 31, 2016, the Company completed a Mineral Property Acquisition Agreement with KWG Resources Inc. ("KWG") to sell the mineral claims known as the Hornby Property. In consideration of the claims sold, KWG issued 4,000,000 of its common shares to the Company. On the date of the transaction, the fair value of the shares received was \$78,600. The Company retains a 2% NSR on the Hornby Property. KWG can purchase one percent (1%) of the NSR, at any time prior to commencement of production from the claims, by making a cash payment of \$1,000,000 to the Company. KWG retains the first right of refusal to purchase the NSR on similar transaction terms should the Company, at its sole discretion, elect to sell the entire (or any part) of the 2% NSR to a bona-fide third party.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

**10. Accounts Payable and Accrued Liabilities**

	March 31, 2020	March 31, 2019
	\$	\$
Accounts payable	571,796	608,607
Accrued liabilities	102,933	76,089
	<b>674,729</b>	<b>684,696</b>

**11. Deferred premium on Flow-Through Shares**

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the statements of loss and comprehensive loss on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities.

The following table sets out the changes to the deferred premium balances:

	2019 F/T Series		2018 F/T Series		Total
Balance, January 1, 2019	\$	-	\$	2,891	\$ 2,891
Recognition of deferred premium (note 15(a))		66,600		-	66,600
Decrease of deferred premium		(23,778)		(2,891)	(26,669)
Balance, December 31, 2019	\$	42,822	\$	-	\$ 42,822
Decrease of deferred premium		(42,822)		-	(42,822)
<b>Balance, March 31, 2020</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

**12. Provision for flow-through shares**

During the year ended December 31, 2015, the Company underwent an audit conducted by the Canada Revenue Agency ("CRA") for the calendar years 2010 to 2013. As a result of the audit, CRA has proposed an adjustment to the amount of qualifying expenditures that were renounced to subscribers aggregating approximately \$2,500,000. In addition, CRA has assessed additional Part XII.6 tax of \$255,043 to the Company in connection with the shortfall which was paid in January 2017.

As at March 31, 2020, there is a provision of \$250,000 (2019 - \$979,406) representing the maximum amount of tax and penalties related to the 2013 and 2018 shortfall in flow-through eligible exploration expenditures. The Company does not intend to appeal the penalty and taxes imposed by CRA for the years 2010 to 2013. The Company is evaluating the repayment terms. During the three months ended March 31, 2020, the Company made cash payments of \$13,973 to settle flow-through obligations and revised its estimate of the amount of provision ultimately payable to \$250,000, booking a recovery of \$716,875 against the amount previously accrued.

**13. Related Party Transactions and Balances**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors and the executive management team. The executive management team comprises the President and Chief Executive Officer and Chief Financial Officer.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**13. Related Party Transactions and Balances (continued)**

Compensation for key management personnel of the Company was as follows:

	March 31, 2020	March 31, 2019
	\$	\$
Short-term benefits	42,169	29,138
Share-based payments	250,123	-
	<b>292,291</b>	29,138

As of March 31, 2020, the following related party balances were outstanding:

Included in taxes and other receivables is an amount of \$21,597 (2019 – \$251,497) related to exploration, rent and general and administrative charges from companies under common management. Accounts payable and accrued liabilities were \$123,032 (2019 - \$74,461). Included in accounts payable and accrued liabilities at March 31, 2020 is \$11,639 (2019 - \$34,917) owing to a corporation controlled by a former officer of the Company. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

**14. Shareholders' Deficit**

a) Share Capital

The Company's authorized capital stock includes an unlimited number of Class "A" common shares (issued 156,257,851 common shares (December 31, 2019 – 156,257,851) having no par value.

On February 1, 2018, the Company issued 725,000 units pursuant to the Holdsworth Property (See Note 9 – Mineral Properties). Each unit comprised one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of \$0.30 and a 3-year term from the date of issue.

On September 25, 2018, the Company issued 617,882 common shares to settle \$30,894 in connection with the provision for flow-through shares.

On October 5, 2018, the Company issued 500,000 common shares valued at \$20,000 pursuant to the Sudbury properties agreements.

On August 13, 2019, the Company closed the first tranche of a non-brokered private placement financing for gross proceeds of \$482,000. The Company issued 7,700,00 common share units at a price of \$0.05 per unit and 1,940,000 flow-through common shares at a price of \$0.05 per share. Each common share unit consisted of one common share and one-half of one common share purchase warrant exercisable for a period of two years at an exercise price of \$0.075 per purchase warrant. As part of the financing the Company paid \$10,180 cash commission, issued 28,000 compensation shares to some brokers and issued 140,000 non-transferable compensation options giving the holder the option to acquire the shares for a period of 24 months from the date of issuance at an exercise price of \$0.05 per compensation option. The fair value of the compensation units and the warrants issuable under the financing was \$0.03 per unit (see Note 15(c) – Warrants).

On August 13, 2019, the Company issued 800,000 shares in connection with the Jovan and Powerline properties acquisition. The fair value of the shares issued was \$40,000.

On August 15, 2019, the Company issued 3,000,000 shares in connection with the Blueberry property acquisition. The fair value of the shares issued was \$150,000.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

---

**14. Shareholders' Deficit (continued)**

a) Share Capital (continued)

On August 26, 2019, the Company closed the second tranche of a non-brokered private placement financing for gross proceeds of \$518,000. The Company issued 10,160,000 common share units at a price of \$0.05 per unit and 200,000 flow-through common shares at a price of \$0.05 per share. Each common share unit consisted of one common share and one-half of one common share purchase warrant exercisable for a period of two years at an exercise price of \$0.075 per purchase warrant. As part of the financing the Company paid \$34,040 cash commission and issued 656,000 non-transferable compensation options giving the holder the option to acquire the shares for a period of 24 months from the date of issuance at an exercise price of \$0.033 per compensation option. The fair value of the compensation units and the warrants issuable under the financing was \$0.046 per unit (see Note 15(c) – Warrants).

On September 4, 2019, the Company issued 8,000,000 shares in connection with the Currie Rose property agreement. The fair value of the shares issued for the property was \$640,000. 514 Finance Inc. acted as an arms-length advisor for this transaction and the Company issued 2,000,000 common shares for its services. The fair value of these shares issued was \$160,000.

On September 10, 2019, the Company issued 10,000,000 shares in relation to the Northern Sphere property agreement. The fair value of the shares issued were \$900,000.

On October 7, 2019, the Company closed a non-brokered financing for aggregate gross proceeds of \$1,500,000. Pursuant to the Offering, the Company issued 18,750,000 units at a price of \$0.08 per Unit, each such Unit comprised of one Class A common share of the Company and one share purchase warrant. Each Warrant is exercisable to acquire one Common Share for a period of three years from the date of issuance at a price of \$0.11 per share. The Company paid a total of \$10,750 in service fees in connection with the Offering. The fair value of the warrants issued under the financing was \$0.14 (see Note 15(c) – Warrants).

On November 8, 2019, the Company issued a total of 2,075,000 shares in connection with the property acquisitions of the Loney property (200,000 shares) and the Golden Copper property (1,875,000 shares). The fair value of the shares issued was \$20,000 and \$187,500, respectively.

On December 18, 2019, the Company closed a non-brokered private placement of 1,480,000 flow-through Class A common shares (the "FT Shares") of the Company, at a price of \$0.125 per FT Share for gross proceeds of \$185,000. In connection with this closing, the Company paid finders fees of \$7,000 and issued 56,000 compensation warrants, with each compensation warrant exercisable to acquire one Class A common share of the Company at a price of \$0.125 per share. The fair value of the compensation warrants issuable under the financing was \$0.05. (See Note 15(c) – Warrants). As a result of the flow-through financing the Company recognized a deferred flow-through premium of \$66,600. See Note 11.

b) Stock Options

The Company has a stock option plan (the "Plan") pursuant to which the Company's Board of Directors may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option is fixed by the Board of Directors on the date of grant, in accordance with applicable stock exchange or other regulatory requirements, if applicable. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

During the three months ended March 31, 2020, the Company granted 4,725,000 stock options. (2019 – 3,105,000) to directors, employees, officers and consultants at an exercise price of \$0.08 (2019 - \$0.10). These five-year options vested immediately upon grant. The fair value of the stock options granted in respect of these stock options has been determined to be \$324,679 and has been included in the statements of loss and comprehensive loss for the three months ended March 31, 2020.

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

**14. Shareholders' Deficit (continued)**

b) Stock Options (continued)

The fair value of the stock options was calculated using the Black-Scholes option pricing model and utilized the following weighted average assumptions: risk-free interest rate – 1.39% (2019 – 1.41%); volatility - 212% (2019 – 262%); expected life - 5 years (2019 – 5 years); dividend yield - 0% (2019 – 0%) and forfeiture rate - 0% (2019 – 0%) and resulted in a weighted average fair value of \$0.07 per stock option (2019 - \$0.08 per stock option).

<b>Number of Stock Options Outstanding</b>	<b>Black-Scholes Value</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Expiry Date</b>
2,055,000	\$ 433,375	\$ 0.18	2.14	May 22, 2022
300,000	23,883	0.08	2.89	February 20, 2023
1,725,000	133,454	0.09	3.30	July 18, 2023
2,755,000	247,489	0.10	4.44	September 8, 2024
4,725,000	324,679	0.08	4.89	February 18, 2025
<b>11,560,000</b>	<b>\$ 1,162,880</b>	<b>\$ 0.10</b>	<b>4.01</b>	

The following table summarizes the stock option movements during the three months ended March 31, 2020:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2019</b>	<b>7,935,000</b>	<b>\$ 0.12</b>
Granted	4,725,000	0.08
Cancelled	(1,100,000)	0.10
<b>Balance, March 31, 2020</b>	<b>11,560,000</b>	<b>0.10</b>

c) Warrants

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance as an equity reserve until expiration or exercise.

The following table summarizes the warrant transactions during the three months ended March 31, 2020.

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2019</b>	<b>42,297,580</b>	<b>\$ 0.11</b>
Expired	(7,598,857)	0.12
<b>Balance, March 31, 2020</b>	<b>34,698,723</b>	<b>\$ 0.11</b>

**MacDonald Mines Exploration Ltd.**  
**Notes to Condensed Interim Financial Statements**  
**(Expressed in Canadian dollars, unless otherwise noted)**  
For the three months ended March 31, 2020 and 2019

**14. Shareholders' Deficit (continued)**

c) Warrants (continued)

The fair value of the warrants was estimated using a relative fair value attribution of the Black-Scholes model for pricing options using the following weighted average assumptions:

	<b>2019</b>	2018
Risk-free interest rate	<b>1.51%</b>	1.47%
Expected stock volatility	<b>140%</b>	213%
Expected life	<b>2 years</b>	3 years
Dividend yield	<b>0%</b>	0%

Additional information regarding warrants outstanding and exercisable as at March 31, 2020 is as follows:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Warrants</b>	<b>Fair Value</b>
December 30, 2016	December 30, 2021	\$ 0.10	505,325	\$ 34,969
March 7, 2017	March 7, 2022	0.07	436,398	73,838
June 8, 2017	June 8, 2020	0.30	3,800,000	628,383
August 4, 2017	August 4, 2020	0.30	700,000	115,755
February 1, 2018	February 1, 2021	0.30	725,000	119,886
August 13, 2019	August 13, 2021	0.08	3,850,000	83,800
August 13, 2019	August 13, 2021	0.05	140,000	5,594
August 26, 2019	August 26, 2021	0.08	5,080,000	111,200
August 26, 2019	August 26, 2021	0.05	656,000	21,976
October 7, 2019	October 7, 2022	0.11	18,750,000	676,000
December 19, 2019	December 19, 2021	0.13	56,000	2,853
		<b>\$ 0.11</b>	<b>34,698,723</b>	<b>\$ 1,874,254</b>

**15. Commitments**

**Flow-through expenditure commitment**

The Company completed flow-through share financings that involve a commitment to incur Canadian exploration Expenditures ("CEEs") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. The flow-through commitment as at March 31, 2020 was \$nil (2019 - \$118,951).

**16. Subsequent Event**

On April 21, 2020, the Company announced that it had completed a non-brokered private placement offering of securities for total gross proceeds of \$994,781. The Company issued a total of 7,350,428 flow-through Class A common shares (the "FT Shares") at a price of \$0.07 per FT Share and 7,388,480 non-flow-through units (the "Units") at a price of \$0.065 per Unit. Each Unit is comprised of one Class A common share in the capital of the Company (each, a "Common Share") and one half non-flow through Common Share purchase warrant (each, a "Warrant"), with each such Warrant being exercisable to acquire one non-flow-through Common Share at a price of \$0.10 per share for a period of 24 months following the closing date of the Offering. In connection with the Offering, the Company paid finders fees of \$65,242 and issued 396,216 common shares of the Company to such finders in connection with the FT Shares and/or Units subscribed for by purchasers introduced to the Company by such finders.