

**RENFORTH RESOURCES INC.**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**(Expressed in Canadian Dollars)**

## **NOTICE TO SHAREHOLDERS**

The accompanying condensed interim financial statements of Renforth Resources Inc. for the three and nine months ended September 30, 2019 and September 30, 2018 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see notes 2 & 3 to the interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

### **Auditors Involvement**

The external auditors of Renforth Resources Inc., have not audited or performed a review of the unaudited interim financial statements for the three and nine months ended September 30, 2019 and September 30, 2018 nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

**RENFORTH RESOURCES INC.****Condensed Interim Statements of Financial Position (unaudited)**

(Expressed in Canadian dollars)

|   | As at<br>September 30,<br>2019 | As at<br>December 31,<br>2018 |
|---|--------------------------------|-------------------------------|
| <b>ASSETS</b>                                     |                                |                               |
| <b>Current assets</b>                             |                                |                               |
| Cash (note 5)                                     | \$ 365,987                     | \$ 647,536                    |
| Sales tax and refundable tax credits receivable   | 151,440                        | 273,020                       |
| Prepaid expenses and deposits                     | 145,625                        | 97,692                        |
| Total current assets                              | 663,052                        | 1,018,248                     |
| <b>Non-current assets</b>                         |                                |                               |
| Exploration and evaluation assets (notes 6 and 7) | 6,540,134                      | 5,392,159                     |
| <b>TOTAL ASSETS</b>                               | <b>\$ 7,203,186</b>            | <b>\$ 6,410,407</b>           |
| <b>LIABILITIES AND EQUITY</b>                     |                                |                               |
| <b>Current liabilities</b>                        |                                |                               |
| Accounts payable and accrued liabilities (note 7) | \$ 150,093                     | \$ 158,569                    |
| Deferred flow through share premium (note 8(b))   | 72,029                         | 9,606                         |
| Total liabilities                                 | 222,122                        | 168,175                       |
| <b>Equity</b>                                     |                                |                               |
| Share capital (note 8 (b))                        | 16,207,062                     | 15,394,246                    |
| Shares to be issued (notes 6 and 8(b))            | -                              | 50,000                        |
| Warrant reserve (note 8 (c))                      | 858,051                        | 755,641                       |
| Contributed surplus                               | 2,777,352                      | 2,566,614                     |
| Accumulated deficit                               | (12,861,064)                   | (12,524,269)                  |
| Total equity                                      | 6,981,064                      | 6,242,232                     |
| <b>TOTAL LIABILITIES AND EQUITY</b>               | <b>\$ 7,203,186</b>            | <b>\$ 6,410,407</b>           |

**Going concern** (note 1)**Commitments and contingencies** (notes 6 and 12)**Subsequent events** (note 14)*The accompanying notes are an integral part of these condensed interim financial statements.*

Approved by the Board

Signed:

“Nicole Brewster”, Director

Signed:

“Wally Rudensky”, Director

**RENFORTH RESOURCES INC.****Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)**

For the three and nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

|   | <b>Three month ended<br/>September 30</b> |             | <b>Nine month ended<br/>September 30</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2019</b>                               | 2018        | <b>2019</b>                              | 2018        |
| <b>Expenses</b>   |   |             |  |             |
| General and corporate ( <i>notes 7 and 13</i> )         | <b>\$ 110,804</b>                         | \$ 68,468   | <b>\$ 281,488</b>                        | \$ 265,020  |
| Share based payments ( <i>8(d)</i> )                    | -   | -           | <b>65,250</b>                            | 271,500     |
| <b>Loss before other items</b>                          | <b>(110,804)</b>                          | (68,468)    | <b>(346,738)</b>                         | (536,520)   |
| <b>Other items</b>                                      |   |             |  |             |
| Flow through share premium                              | -   | -           | <b>9,606</b>                             | 434,203     |
| Gain on settlement of debt ( <i>notes 7 and 8</i> )     | -   | -           | -  | 30,700      |
| <b>Net loss and comprehensive loss for the period</b>   | <b>\$ (110,804)</b>                       | \$ (68,468) | <b>\$ (337,132)</b>                      | \$ (71,617) |
| <b>Basic and diluted loss per share (<i>note 9</i>)</b> | <b>\$ (0.00)</b>                          | \$ (0.00)   | <b>\$ (0.00)</b>                         | \$ (0.00)   |

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

**RENFORTH RESOURCES INC.****Condensed Interim Statements of Cash Flows (unaudited)**

For the nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

|  | 2019         | 2018        |
|--|--------------|-------------|
| <b>Cash flow from operating activities</b>           |              |             |
| Net loss for the year                                | \$ (337,132) | \$ (71,617) |
| Items not affecting cash:                            |              |             |
| Share based payments                                 | 65,250       | 271,500     |
| Gain on settlement of debt                           | -            | (30,700)    |
| Other income   | (9,606)      | (434,203)   |
| Shares issued for services                           | -            | 192,000     |
|  | (281,488)    | (73,020)    |
| Changes in non-cash working capital:                 |              |             |
| Sales tax and refundable tax credits receivable      | 121,580      | (47,395)    |
| Accounts payable and accrued liabilities             | 193,064      | 27,167      |
| Prepaid expenses and deposits                        | (47,933)     | (76,839)    |
| Total cash flows (used in) from operating activities | (14,777)     | (170,087)   |
| <b>Cash flow from investing activities</b>           |              |             |
| Additions to exploration and evaluation assets       | (991,725)    | (1,140,852) |
| Total cash flows (used in) investing activities      | (991,725)    | (1,140,852) |
| <b>Cash flow from financing activities</b>           |              |             |
| Issue of common shares and warrants                  | 724,953      | 317,500     |
| Total cash flows from financing activities           | 724,953      | 317,500     |
| <b>Decrease in cash and cash equivalents</b>         | (281,549)    | (993,439)   |
| <b>Cash, beginning of period</b>                     | 647,536      | 1,026,984   |
| <b>Cash, end of period (note 5)</b>                  | \$ 365,987   | \$ 33,545   |

*Supplemental information (note 12)**The accompanying notes are an integral part of these financial statements.*

**RENFORTH RESOURCES INC.**

**Condensed Interim Statements of Changes in Equity (unaudited)**

For the nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

|   | Share capital | Share capital | Shares to be<br>Issued | Contributed<br>surplus | Warrant<br>reserve | Deficit      | Total     |
|---|---------------|---------------|------------------------|------------------------|--------------------|--------------|-----------|
|   | #             | \$            | \$                     | \$                     | \$                 | \$           | \$        |
| <b>Balance, December 31, 2017</b>               | 124,503,163   | 14,181,424    | 13,980                 | 2,051,630              | 439,834            | (12,297,206) | 4,389,662 |
| Share based payments                            | -             | -             | -                      | 271,500                | -                  | -            | 271,500   |
| Shares issued for services agreement            | 4,876,000     | 233,440       | -                      | -                      | -                  | -            | 233,440   |
| Shares and warrants issued on property purchase | 540,000       | 27,000        | -                      | -                      | -                  | -            | 27,000    |
| Shares issued under private placement           | 6,613,000     | 331,480       | (13,980)               | -                      | -                  | -            | 317,500   |
| Valuation of warrants                           | -             | (132,907)     | -                      | -                      | 132,907            | -            | -         |
| Shares issued to settle debt                    | 2,034,000     | 81,360        | -                      | -                      | -                  | -            | 81,360    |
| Expiry of warrants                              | -             | -             | -                      | 37,608                 | (37,608)           | -            | -         |
| Net loss and comprehensive loss for the period  | -             | -             | -                      | -                      | -                  | (71,617)     | (71,617)  |
| <b>Balance, September 30, 2018</b>              | 138,566,163   | 14,721,797    | -                      | 2,360,738              | 535,133            | (12,368,823) | 5,248,845 |
| <b>Balance, December 31, 2018</b>               | 160,876,163   | 15,394,246    | 50,000                 | 2,566,614              | 755,641            | (12,524,269) | 6,242,232 |
| Share based payments                            | -             | -             | -                      | 65,250                 | 146,000            | -            | 65,250    |
| Shares issued on property purchase agreement    | 7,750,000     | 273,750       | (50,000)               | -                      | -                  | -            | 223,750   |
| Shares issued under private placement           | 13,996,670    | 734,000       | -                      | -                      | -                  | -            | 734,000   |
| Share issue costs                               | -             | (13,367)      | -                      | -                      | 4,320              | -            | (9,047)   |
| Valuation of warrants issued                    | -             | (231,578)     | -                      | -                      | 231,578            | -            | -         |
| Flow through share premium                      | -             | (72,029)      | -                      | -                      | -                  | -            | (72,029)  |
| Expiry of warrants                              | -             | -             | -                      | 133,488                | (133,488)          | -            | -         |
| Shares issued to settle debt                    | 2,712,000     | 122,040       | -                      | -                      | -                  | -            | 122,040   |
| Gain on settlement of debt                      | -             | -             | -                      | 12,000                 | -                  | -            | 12,000    |
| Net loss and comprehensive loss for the period  | -             | -             | -                      | -                      | -                  | (337,132)    | (337,132) |
| <b>Balance, September 30, 2019</b>              | 185,334,833   | 16,207,062    | -                      | 2,777,352              | 858,051            | (12,861,401) | 6,981,064 |

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

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

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## **1. NATURE OF BUSINESS AND GOING CONCERN**

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### **Nature of business**

Renforth Resources Inc. (the “Company” or “Renforth”), was incorporated in Canada under the Business Corporations Act (Ontario) and carries on business in one segment, being the acquisition, exploration and development of mineral properties in Canada. The Company’s registered and head office is located at 1099 Kingston Road, unit 269, Pickering, Ontario.

These financial statements were approved by the board on November 29, 2019.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values. Changes in future conditions could require material write-downs to the carrying values of the Company’s assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, social licensing requirements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

### **Going concern assumption**

These financial statements are prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the exploration and evaluation assets. Such adjustments could be material. Management is aware, in making its assessment of material uncertainties related to events or conditions that cast significant doubt upon the entity’s ability to continue as a going concern. The Company has incurred a net loss of \$226,328 for the nine months ended March 31, 2019 (nine months ended June 30, 2018 – \$3,149) and has an accumulated deficit of \$12,750,597 (December 31, 2018 - \$12,524,269) and a working capital surplus of \$326,679 (December 31, 2018 – \$850,073).

The recoverability of the costs incurred to date on exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

Three and nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

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### **Basis of presentation**

These condensed interim financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2018.

### **Functional currency**

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

### **Critical judgments and estimation uncertainties**

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

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- **Assets’ carrying values and impairment charges**

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- **Capitalization of exploration and evaluation costs**

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 6 for details of capitalized exploration and evaluation costs.

- **Impairment of exploration and evaluation assets**

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company’s properties, costs to sell the properties and the appropriate discount rate.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

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## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

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Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- 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 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.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingences (note 12)

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company's December 31, 2018 annual financial statements, except for the adoption of new standards and interpretations as of January 1, 2019.

#### **Recently-Adopted Accounting Pronouncements and Recent accounting pronouncements**

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces 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 recognises 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 recognise 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 had no impact on the financial statements of the Company.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRS 16 had no impact on the financial statements of the Company.

### **4. CAPITAL MANAGEMENT**

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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, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, contributed surplus and options. 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 properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2019.

The Company is not subject to any externally imposed capital requirements.

**RENFORTH RESOURCES INC.****Notes to Condensed Interim Financial Statements (unaudited)**

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

**5. CASH**

|              | As at September<br>30, 2019 | As at December 31,<br>2018 |
|--------------|-----------------------------|----------------------------|
| Cash in bank | <b>\$ 365,987</b>           | <b>\$ 647,536</b>          |

Cash earns interest based on market rates applicable to each form of interest bearing instrument. Cash is deposited at a reputable financial institution in Canada. The fair value of cash approximates the values disclosed in this note.

**6. EXPLORATION AND EVALUATION ASSETS**

|                                     | New Alger           | Nixon<br>Bartelman | Parbec             | Malartic<br>West  | Denain           | Total              |
|-------------------------------------|---------------------|--------------------|--------------------|-------------------|------------------|--------------------|
| <b>Acquisition costs</b>            |                     |                    |                    |                   |                  |                    |
| December 31, 2017                   | \$ 894,285          | \$ 130,000         | \$ 265,000         | \$ 114,206        | \$300,000        | \$1,703,491        |
| Option payments                     | -                   | -                  | -                  | -                 | (50,000)         | (50,000)           |
| Sale of NSR                         | (190,000)           | -                  | -                  | -                 | -                | (190,000)          |
| Purchase of NSR                     | 100,000             | -                  | -                  | -                 | -                | 100,000            |
| Additions                           | -                   | -                  | 250,000            | 5,200             | 11,000           | 266,200            |
| December 31, 2018                   | 804,285             | 130,000            | 515,000            | 119,406           | 261,000          | 1,829,691          |
| Option payment received             | -                   | -                  | -                  | -                 | (50,000)         | (50,000)           |
| Option and<br>acquisition payment   | -                   | -                  | 423,750            | -                 | -                | 423,750            |
| <b>September 30, 2019</b>           | <b>\$ 804,285</b>   | <b>\$ 130,000</b>  | <b>\$ 938,750</b>  | <b>\$ 119,406</b> | <b>\$211,000</b> | <b>\$2,203,441</b> |
| <b>Exploration</b>                  |                     |                    |                    |                   |                  |                    |
| December 31, 2017                   | \$ 1,502,893        | \$ 25,999          | \$ 512,113         | \$ 29,145         | \$228,480        | \$2,298,630        |
| Exploration and<br>other geological | 106,456             | -                  | 1,157,382          | -                 | -                | 1,263,838          |
| December 31, 2018                   | 1,609,349           | 25,999             | 1,669,495          | 29,145            | 228,480          | 3,562,468          |
| Exploration and<br>other geological | 95,292              | 295                | 678,639            | -                 | -                | 774,226            |
| <b>September 30, 2019</b>           | <b>\$ 1,704,641</b> | <b>\$ 26,294</b>   | <b>\$2,348,134</b> | <b>\$ 29,145</b>  | <b>\$228,480</b> | <b>\$4,336,693</b> |
| <b>Carrying amounts</b>             |                     |                    |                    |                   |                  |                    |
| December 31, 2018                   | 2,413,634           | 155,999            | 2,184,495          | 148,551           | 489,480          | 5,392,159          |
| <b>September 30, 2019</b>           | <b>\$ 2,508,926</b> | <b>\$ 156,294</b>  | <b>\$3,286,884</b> | <b>\$ 148,551</b> | <b>\$439,480</b> | <b>\$6,540,134</b> |

Exploration and other geological expenditures in 2018 are net of Quebec tax credits of \$55,234.

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

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#### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

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##### **New Alger Gold Project**

On January 28, 2013, Renforth entered into an agreement (the "Purchase Agreement") with Cadillac Ventures Inc. ("Cadillac") to acquire a 100% interest in Cadillac's New Alger Property, located in Cadillac Township, Québec, subject to an existing 1% net smelter return royalty ("NSR") and Cadillac would retain an additional 1% NSR. The Purchase Agreement supersedes previous agreements.

In November, 2018, Renforth purchased Cadillac's 1% NSR on New Alger for consideration of \$50,000 and 2 million shares of Renforth. The shares had a fair value of \$50,000, based on the quoted market price of the Company on their date of issuance.

On November 18, 2018, Renforth sold a 1% NSR on New Alger to a third party for \$190,000.

On February 18, 2014, the Company acquired the option to acquire certain properties on the western boundary of Renforth's New Alger project.

The acquisition was subject to several terms and conditions, including the following;

- 1- Renforth shall issue to the vendor 200,000 common shares of Renforth (issued February 14, 2014);
- 2- Upon or before the date which is 12 months from the signing of the agreement Renforth shall carry out \$20,000 in exploratory work on the property, issue to the vendor 100,000 (issued February 18, 2015) Renforth common shares and pay the vendor \$10,000 (paid February 24, 2015), to acquire a 25% interest in the property;
- 3- Upon or before the date which is 24 months from the signing of the agreement Renforth shall carry out \$30,000 in work on the Property, issue to the vendor 250,000 (issued May 25, 2016) Renforth common shares and pay the vendor \$15,000, to earn an additional 30% interest in the property;
- 4- Upon or before the date which is 36 months from the signing of the agreement Renforth shall carry out \$50,000 in work on the property, issue to the vendor 250,000 common shares of Renforth and pay the vendor \$25,000 in cash, to earn Renforth the final 45% interest in the property.

On September 14, 2016 the Company entered into an agreement to acquire 100% of the properties for the following terms:

- issue 450,000 shares (issued September 21, 2016)
- pay \$10,000 prior to January 2017 (paid)
- pay nominal expenses associated with renewal fees
- issue a 1% NSR to the option holder (purchasable for \$1,000,000)

On August 4, 2015, the Company acquired 50 claims adjacent to the New Alger project (the "Bonchamp Claims"). In consideration for these claims, the Company issued 4,000,000 common shares valued at \$0.05 per share based on the quoted market price on the date of issuance.

##### **Nixon Bartleman Property**

On August 4, 2014, Renforth entered into an option agreement to earn a 55% interest in the Nixon-Bartleman Property located in the West Timmins Mining Area, in the western part of the Porcupine Mining Camp.

On April 28, 2016, Renforth negotiated a 100% purchase of the Nixon Bartleman property, subject to a pre-existing 2% NSR, for total consideration of 3 million shares of Renforth and the issuance of an additional 0.5% NSR to the vendor. This purchase replaces the prior option held on the property.

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

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#### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

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##### **Parbec Gold Project**

On January 29, 2015, the Company entered into a letter of intent to acquire 100% of the Parbec Gold Property ("Parbec") from Globex Mining Enterprises Inc. ("Globex") under the following terms.

- 1) over 4 years make cash payments totaling \$550,000 (\$25,000 within 6 months of signing (paid), \$50,000 within 12 months (paid), \$25,000 within 18 months (paid), \$125,000 within 24 months (paid), \$125,000 within 36 months (paid), and \$200,000 (paid));
- 2) over 4 years incur \$4,000,000 in work costs on the property (\$350,000 in year one, \$500,000 by the end of year two, \$1,150,000 by the end of year three, and \$2,000,000 by the end of year four);
- 3) over 4 years issue a total of 2,000,000 shares to Globex (250,000 on signing (issued), 500,000 before the end of year one (issued), 500,000 before the end of year two (issued), 500,000 before the end of year three (issued), 250,000 before the end of year four (issued)). The fair value of the shares issued was estimated based on the quoted market price of the shares on the date of issuance.
- 4) Globex retains a gross metal royalty on the property of between 1% and 2% (percentage calculated in relationship to the prevailing price of gold at the time of delivery).

On November 13, 2018, the Company signed an amendment to the Parbec agreement whereby the \$4,000,000 in exploration work requirement on the property be extended from January 29, 2019 to January 29, 2020 for the following consideration:

- 1) Renforth shall issue Globex 2,500,000 (issued) common shares on signing the agreement; The fair value of the shares issued was estimated based on the quoted market price of the shares on the date of issuance;
- 2) Renforth shall issue Globex an additional 2,500,000 common shares by January 29, 2020 (issued January 2019). These were presented as shares to be issued on the statement of financial position at December 31, 2018. The fair value of the shares to be issued was estimated at \$50,000 based on the quoted market-price of the shares on the date of the amendment to the agreement;
- 3) Renforth shall register a 1% NSR in Globex's favour against the Company's New Alger project.

In March 2019, Renforth acquired 100% ownership interest in the Parbec Gold Project for the following consideration:

- An additional 1% Gross Metal Royalty on the Parbec Project,
- 5,000,000 shares from Treasury (issued March 27, 2019 along with the 2,500,000 for the original extension agreement (above). Should Renforth consolidate its shares in the next 4 years Globex will receive an additional 1,500,000 shares post-consolidation,
- Upon the commencement of commercial mining at Parbec a one-time payment shall be made to Globex of \$1,000,000, adjusted for inflation and subject to the deduction of any advance royalty payments made. In consideration of these payments Globex shall grant to Renforth a one-time right of first refusal on the sale of all or any part of Globex's GMR.

##### **Malartic West**

On November 6, 2015, the Company acquired 100% of the Malartic West Property. The Malartic West Property, acquired from Knick Exploration for total consideration of 4,000,000 shares of Renforth, is located west of Renforth's Parbec Property, contiguous to the Canadian Malartic Mine property. The property is subject to a 2% NSR and a 2% gross overriding receipts royalty on all diamonds extracted. There is a right to buy back 1% of the royalty for \$1,000,000.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

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#### 6. EXPLORATION AND EVALUATION ASSETS (continued)

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On November 27, 2015, the Company acquired additional claims adjacent to, and also named, the Malartic West Property for total consideration of 2,000,000 shares of Renforth and 2,000,000 common share purchase warrants exercisable for a period of 2 years at a price of \$0.05. The fair value of the shares issued was estimated based on the quoted market price of the shares on the date of issuance

On July 12, 2017, the Company entered into an earn-in and joint ventures agreement on the West Malartic Property with SOQUEM (a subsidiary of Investissement Québec) whereby SOQUEM can earn a 50% interest in the property with an expenditure of \$1.3 million over 3 years. In July, 2019, the Agreement with Soquem was dropped

#### Denain Gold Project

In March 2017, the Company acquired the Denain Gold Project, located on the Cadillac Break. The project is comprised of 145 claims. The claims were acquired for 3,750,000 shares of Renforth to be issued from treasury (note 8) for a 100% interest in 101 claims and an 80% interest in 44 of the claims where the arm's-length vendor only holds an 80% interest in such claims. The vendor will retain a 2% NSR on the claims, half of which (1% of the 2%) can be purchased by Renforth for \$500,000.

On July 7, 2017, Renforth acquired the Pershing claim block from two vendors, the total consideration paid is \$27,000 cash and the issuance of 1,250,000 shares (note 8). The shares issued are restricted for four months from the date of issue. One vendor retains a 2% NSR on 36 of the purchased claims, with Renforth able to buyback half of the NSR (1% NSR) for \$1,000,000 for a period of 10 years. The other vendor retains a 2% Gross Metal Royalty on 3 of the claims.

In May 2018, Renforth granted Chalice Gold Mines Limited ("Chalice") an earn-in option. In order to earn an 80% interest in the Denain-Pershing Property, over a 3-year period, Chalice will make payments to Renforth totaling \$200,000 (\$50,000 of which was paid on entering in to the agreement) and spend \$1,250,000 in work on the property. Once Chalice has earned their interest, a 80/20 joint venture will be formed between Chalice and Renforth.

#### 7. RELATED PARTY TRANSACTIONS AND BALANCES

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(a) Compensation of key management personnel

Key management includes members of the board of directors, the President and Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the nine months ended September 30, 2019 and September 30, 2018:

|                                     | 2019              | 2018             |
|-------------------------------------|-------------------|------------------|
| Salary or other short-term benefits | \$ 135,000        | \$ 135,000       |
| Share based payments issued         | 51,750            | -                |
|                                     | <b>\$ 186,750</b> | <b>\$ 90,000</b> |

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## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

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#### **7. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

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(b) Other related party balances and transactions

The Company engaged Billiken Management Services Inc. and Minroc Management Limited (“Billiken”), geological consulting companies, to manage the Company’s exploration programs. The Company’s CEO, Nicole Brewster, is a controlling shareholder of Billiken. For the nine months ended September 30, 2019, the Company was charged \$608,661 (nine months ended September 30, 2018 - \$806,258) in exploration related expenditures, and \$90,000 (nine months ended September 30, 2018 - \$90,000) in management fees for the CEO, of which \$67,500 (nine months ended September 30, 2018 - \$67,500) was capitalized and recorded in exploration and evaluation assets and \$22,500 (nine months ended September 30, 2018 - \$22,500) was charged to general and corporate expense on the statement of loss. On June 10, 2019, the Company settled debt with Billiken in the amount of \$90,400 by the issuance of 1,808,000 common shares. The shares had a market value of \$81,360, and therefore resulted in a gain on settlement of \$9,040. On March 23, 2018, the Company settled debt with Billiken in the amount of \$67,800 by the issuance of 1,356,000 common shares. The shares had a market value of \$54,240, and therefore resulted in a gain on settlement of \$13,560. On October 10, 2018, the Company settled debt with Billiken in the amount of \$130,600 by the issuance of 2,612,000 common shares. The shares had a market value of \$65,300, and therefore resulted in a gain on settlement of \$65,300. These gains were recognized in contributed surplus. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

During the nine months ended September 30, 2019, the Company was charged \$45,000 (nine months ended September 30, 2018 - \$45,000) in management fees by a corporation owned by the CFO of the Company, for CFO services. As at September 30, 2019, \$22,600 (December 31, 2018 - \$16,950) is owing to this corporation and included in accounts payable. This amount is unsecured, non-interest bearing with no fixed terms of repayment. On June 10, 2019, the Company settled debt with CFO in the amount of \$45,200 by the issuance of 904,000 common shares. The shares had a market value of \$40,680, and therefore resulted in a gain on settlement of \$4,520. On March 23, 2018, the Company settled debt with the CFO in the amount of \$33,900 by the issuance of 678,000 common shares. The shares had a market value of \$27,120, and therefore resulted in a gain on settlement of \$6,780. On October 10, 2018, the Company settled debt with the CFO in the amount of \$50,850 by the issuance of 1,017,000 common shares. The shares had a market value of \$25,425, and therefore resulted in a gain on settlement of \$25,425. These gains were recognized in contributed surplus.

See note 8

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

## 8. SHARE CAPITAL

### a) Shares authorized

The Company is authorized to issue an unlimited number of preferred and common shares without nominal or par value. No preferred shares have been issued.

### b) Common shares issued and outstanding

Details of shares issued and outstanding are as follows:

|   | Shares             | Amount               |
|---|--------------------|----------------------|
| Balance, December 31, 2017  | 124,503,163        | \$ 14,181,424        |
| Shares issued under private placement (i)                         | 263,000            | 13,980               |
| Shares issued in accordance with Parbec option agreement (note 6) | 500,000            | 25,000               |
| Shares issued for services (ii)                                   | 4,876,000          | 233,440              |
| Shares issued on settlement of debt (iii)                         | 2,034,000          | 81,360               |
| Shares issued under private placement (iv)                        | 6,350,000          | 317,500              |
| Valuation of warrants (iv)  | -                  | (132,907)            |
| Shares issued for property acquisition                            | 40,000             | 2,000                |
| Shares issued for debt settlement (v)                             | 3,789,000          | 94,725               |
| Shares issued under private placement (vi)                        | 1,720,000          | 89,000               |
| Valuation of warrants (vi)  | -                  | (21,432)             |
| Shares issued for buyback of NSR (note 6)                         | 2,000,000          | 50,000               |
| Shares issued in accordance with Parbec option agreement (note 6) | 2,500,000          | 50,000               |
| Shares issued under private placement (vii)                       | 12,300,000         | 615,000              |
| Valuation of warrants (vii)                                       | -                  | (134,531)            |
| Share issue costs (vii)   | -                  | (60,708)             |
| Flow through share premium  | -                  | (9,606)              |
| <b>Balance December 31, 2018</b>                                  | <b>160,876,163</b> | <b>15,394,246</b>    |
| Shares issued for option payment (note 6)                         | 250,000            | 11,250               |
| Shares issued for amendment of option agreement (note 6)          | 2,500,000          | 87,500               |
| Shares issued for property acquisition (note 6)                   | 5,000,000          | 175,000              |
| Shares issued under private placement (viii)                      | 13,996,670         | 734,000              |
| Valuation of warrants (viii)                                      | -                  | (231,578)            |
| Flow through share premium(viii)                                  | -                  | (72,029)             |
| Share issue costs   | -                  | (13,367)             |
| Shares issued for debt settlement (ix)                            | 2,712,000          | 122,040              |
| <b>Balance September 30, 2019</b>                                 | <b>185,334,833</b> | <b>\$ 16,207,062</b> |

- (i) On December 31, 2017, the Company completed a private placement financing raising total gross proceeds of \$1,064,980 through the issuance of 4,240,000 common units, and 14,216,333 flow through units. The flow-through units were issued at \$0.06 per unit, comprised of one flow through share and one half of one warrant. A full warrant can be exercised for a period of 18 months into one common share at a price of \$0.12. The common share units were issued at \$0.05 per unit, each unit consists of one common share and one common share purchase warrant, the warrant can be exercised for a period of 24 months to purchase an additional common share at a price of \$0.10. The common warrants on this tranche were assigned a value of \$84,289, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 1.68%; expected volatility of 164%; expected dividend yield of 0% and an expected life of 2 years. The flow through warrants were assigned a value of \$184,139, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 1.68%; expected volatility of 149%; expected dividend yield of 0% and an expected life of 1.5 years. Expected volatility was based on historical volatility of the Company. In connection with the offering, the Company incurred cash issue costs of \$61,620 and 568,000 flow through warrants for broker compensation (with a value of \$17,640). \$21,296 of the total issue costs have been allocated to warrants. As at December 31, 2017, 263,000 shares were yet been issued and were classified as shares to be issued. These shares were issued in January 2018.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

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#### 8. SHARE CAPITAL (Continued)

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- (ii) On January 31, 2018, the Company issued 3,840,000 units to consultants as part of their service arrangement. Each unit was comprised of one common share and one warrant with each warrant being exercisable at \$0.10 for two years. The fair value of these warrants was estimated at \$146,000 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.79%; expected volatility of 192%, expected dividend yield of 0% and an expected life of 2 years. On March 23, 2018, the Company issued 1,036,000 common shares as partial payment to a service provider to conduct an airborne survey over the Company's New Alger project. The shares were issued at a fair market value of \$0.04 per share based on the quoted market price on the date of issuance.
- (iii) On March 23, 2018 the Company settled debt in the amount of \$101,700 associated with services rendered to Renforth by the President and CEO and the CFO over a period covering 6 months and including HST. A total of 2,034,000 shares were issued to discharge this debt in full. The shares had a fair market value on the date of issuance of \$81,360. See note 7. The difference was accounted for as a gain on settlement and recognized in contributed surplus.
- (iv) On May 30, 2018 the Company closed a private placement with proceeds of \$317,500 raised through the issuance of the issuance of 6,350,000 units at \$0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for 24 months for one common share at \$0.10. The common warrants on this tranche were assigned a value of \$132,907, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 1.92%; expected volatility of 182%; expected dividend yield of 0% and an expected life of 2 years. Expected volatility was based on historical volatility of the Company.
- (v) On October 10, 2018, the Company issued 3,789,000 common shares, at a fair market value of \$0.025 per share (based on the quoted market price on the date of issuance), to settle \$189,450. \$181,450 of this debt was with related parties (see note 7). The difference was accounted for as a gain on settlement and recognized in contributed surplus.
- (vi) On November 21, 2018 the Company closed a private placement with proceeds of \$89,000 raised through the issuance of the issuance of 1,420,000 common units at \$0.05 per unit and 300,000 flow through units at \$0.06 per FT Unit. Each Unit consists of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable for 24 months for one common share at \$0.10. The common warrants on this tranche were assigned a value of \$19,551, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 2.23%; expected volatility of 177%; expected dividend yield of 0% and an expected life of 2 years. Each FT unit consists of one flow through common share of the Company and one-half common share purchase warrant ("FT Warrant"). Each FT warrant is exercisable for 18 months for one common share at \$0.12. The FT warrants on this tranche were assigned a value of \$1,881, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 2.23%; expected volatility of 166%; expected dividend yield of 0% and an expected life of 1.5 years. Expected volatility was based on historical volatility of the Company.
- (vii) On December 31 2018, the Company closed a private placement with proceeds of \$615,000 raised through the issuance of the issuance of 12,300,000 flow through units at \$0.05 per FT Unit. Each FT unit consists of one common share of the Company and one-half common share purchase warrant. Each FT warrant is exercisable for 18 months for one common share at \$0.12. The FT warrants were assigned a value of \$134,531, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 2.23%; expected volatility of 166%; expected dividend yield of 0% and an expected life of 1.5 years. In connection with the offering, the Company incurred cash issue costs of \$51,300 and 336,000 FT warrants for broker compensation (with a value of \$9,408).

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

#### 8. SHARE CAPITAL (Continued)

(viii) On April 11, 2019 the Company closed a private placement with proceeds of \$187,000 raised through the issuance of the issuance of 2,240,000 common units at \$0.05 per unit and 1,500,000 flow through units. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for 24 months for one common share at \$0.10. Each flow through unit consisted of one flow through common share and one-half of a common share purchase warrant. Each warrant issued with the flow through units is exercisable for 18 months at \$0.12 per common share. The warrants were assigned a value of \$61,739, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 2.23%; expected volatility of 166%; expected dividend yield of 0% and an expected life of 1.5 - 2 years.

On May 6, 2019 the Company closed a private placement with proceeds of \$58,000 raised through the issuance of the issuance of 760,000 common units at \$0.05 per unit and 400,000 flow through units. The warrants were assigned a value of \$19,756, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 2.23%; expected volatility of 166%; expected dividend yield of 0% and an expected life of 1.5 - 2 years.

On September 26, 2019 the Company closed the final tranche of a private placement with proceeds of \$489,000 raised through the issuance of the issuance of 5,680,000 common units at \$0.05 per unit and 3,416,670 flow through units at \$0.06 per flow through unit. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for 24 months for one common share at \$0.075. Each flow through unit consisted of one flow through common share and one common share purchase warrant. Each warrant issued with the flow through units is exercisable for 24 months at \$0.10 per common share. The warrants were assigned a value of \$150,083, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 1.62%; expected volatility of 136%; expected dividend yield of 0% and an expected life of 2 years. In connection with the offering, the company paid cash commissions of \$9,048 and issued 156,000 compensation warrants with a value of \$4,320.

(ix) On June 10, 2019 the Company settled debt in the amount of \$135,600 associated with services rendered to Renforth by the President and CEO and the CFO. A total of 2,712,000 shares were issued to discharge this debt in full. The shares had a fair market value on the date of issuance of \$122,040. See note 7. The difference was accounted for as a gain on settlement and recognized in contributed surplus.

#### c) Share purchase warrants

The following summarizes the activity during the nine months ended September 30, 2019 and the year ended December 31, 2018:

|                               | Warrants outstanding | Value     |
|-------------------------------|----------------------|-----------|
|                               |                      | \$        |
| Balance at December 31, 2017  | 24,785,767           | 439,834   |
| Issued                        | 18,246,000           | 448,226   |
| Expired                       | (5,584,600)          | (132,419) |
| Balance at December 31, 2018  | 37,447,167           | 755,641   |
| Issued                        | 13,202,670           | 235,898   |
| Expired                       | (9,401,167)          | (133,488) |
| Balance at September 30, 2019 | 41,248,670           | 858,051   |

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

#### 8. SHARE CAPITAL (Continued)

Summary of warrants outstanding as at September 30, 2019:

| Number of Warrants Outstanding | Exercise Price | Expiry Date | Weighted Average Remaining Life | Grant Date Fair Value |
|--------------------------------|----------------|-------------|---------------------------------|-----------------------|
| #                              | \$             |             | Years                           | \$                    |
| (i) 2,000,000                  | 0.07           | 27-Nov-19   | 0.16                            | 38,000                |
| (i) 520,000                    | 0.10           | 19-Sep-19   | 0.00                            | 8,320                 |
| (i) 80,000                     | 0.10           | 30-Nov-19   | 0.16                            | 1,280                 |
| (ii) 2,030,000                 | 0.10           | 26-Dec-19   | 0.24                            | 35,486                |
| (ii) 930,000                   | 0.10           | 07-Jan-20   | 0.27                            | 18,079                |
| 4,240,000                      | 0.10           | 31-Dec-19   | 0.25                            | 76,712                |
| 3,840,000                      | 0.10           | 31-Jan-20   | 0.33                            | 146,000               |
| 6,350,000                      | 0.10           | 30-May-20   | 0.66                            | 132,907               |
| 150,000                        | 0.12           | 21-May-20   | 0.63                            | 1,881                 |
| 1,420,000                      | 0.10           | 21-Nov-20   | 1.14                            | 19,551                |
| 6,486,000                      | 0.12           | 30-June-20  | 0.75                            | 143,939               |
| 2,240,000                      | 0.10           | 11-Apr-21   | 1.53                            | 45,333                |
| 750,000                        | 0.12           | 11-Oct-20   | 1.03                            | 16,406                |
| 760,000                        | 0.10           | 6-May-21    | 1.60                            | 15,381                |
| 200,000                        | 0.12           | 6-Nov-20    | 1.10                            | 4,375                 |
| 2,650,000                      | 0.10           | 16-Sept-21  | 1.96                            | 33,803                |
| 4,440,000                      | 0.075          | 16-Sept-21  | 1.96                            | 83,250                |
| 766,670                        | 0.10           | 25-Sept-21  | 1.96                            | 9,780                 |
| 1,240,000                      | 0.075          | 25-Sept-21  | 1.96                            | 23,250                |
| 156,000                        | 0.10           | 25-Sept-21  | 1.96                            | 4,320                 |
| 41,248,670                     | 0.10           |             | 0.92                            | 858,053               |

- (i) During 2018, the expiry date of these warrants was extended by one year.
- (ii) During 2019, the expiry date of these warrants was extended by nine months.

#### d) Stock option plan

The Company has a stock option plan which provides for the granting of options to purchase common shares to a maximum of 10% of the issued and outstanding common shares of the Company to officers, directors, and other service providers at the discretion of the directors. Each option granted under this plan shall be exercisable for a maximum period of five years from the date the option is granted to the optionee. Stock options vest over a period of 12 months.

On February 5, 2018, the Company issued 2,350,000 options to officers, directors and consultants of the Company exercisable for a period of five years at an exercise price of \$0.05 per option. The options vested immediately on the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 280%; expected dividend yield of 0%; risk-free interest rate of 1.75%; and expected life of 5 years. The options were valued at \$94,000.

On May 30, 2018, the Company issued 3,550,000 options to officers, directors and consultants of the Company exercisable for a period of five years at an exercise price of \$0.05 per option. The options vested immediately on the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 272%; expected dividend yield of 0%; risk-free interest rate of 1.75%; and expected life of 5 years. The options were valued at \$177,500.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

#### 8. SHARE CAPITAL (Continued)

On January 30, 2019, the Company issued 1,450,000 options to officers, directors and management of the Company exercisable for a period of five years at an exercise price of \$0.07 per option. 1,150,000 of the options were granted to officers and directors. The options vested immediately on the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 234%; expected dividend yield of 0%; risk-free interest rate of 1.75%; and expected life of 5 years. The options were valued at \$65,250.

For the nine months ended September 30, 2019, stock option expense of \$65,250 (nine months ended September 30, 2018 - \$271,500) was charged to operations with an equivalent offset credited to contributed surplus to reflect the vested portion of the fair value of stock options granted for directors' and officers' compensation.

As at September 30, 2019, the weighted average exercise price of options outstanding and options exercisable were as follows:

|                                    | September 30, 2019 |                                 | December 31, 2018 |                                 |
|------------------------------------|--------------------|---------------------------------|-------------------|---------------------------------|
|                                    | Number             | Weighted Average Exercise Price | Number            | Weighted Average Exercise Price |
| Outstanding – beginning of year    | 13,600,000         | \$ 0.06                         | 9,375,000         | \$ 0.07                         |
| Granted                            | 1,450,000          | \$ 0.07                         | 5,900,000         | \$ 0.05                         |
| Expired                            | (1,000,000)        | \$ 0.06                         | (1,675,000)       | \$ 0.05                         |
| <b>Outstanding – end of period</b> | <b>14,050,000</b>  | <b>\$ 0.06</b>                  | <b>13,600,000</b> | <b>\$ 0.06</b>                  |
| <b>Exercisable – end of period</b> | <b>14,050,000</b>  | <b>\$ 0.06</b>                  | <b>13,600,000</b> | <b>\$ 0.06</b>                  |

As at September 30, 2019 the Company had the following stock options outstanding:

| Number of Options Outstanding | Exercise Price (\$'s) | Expiry Date | Number of Options Exercisable | Weighted Average Remaining Life (years) |
|-------------------------------|-----------------------|-------------|-------------------------------|---|
| 600,000                       | 0.05                  | 26-Feb-20   | 600,000                       | 0.41                                    |
| 700,000                       | 0.09                  | 7-Aug-20    | 700,000                       | 0.85                                    |
| 1,500,000                     | 0.07                  | 28-Apr-21   | 1,500,000                     | 1.57                                    |
| 1,200,000                     | 0.05                  | 19-Sept-21  | 1,200,000                     | 1.97                                    |
| 2,700,000                     | 0.05                  | 05-Oct-22   | 2,700,000                     | 3.02                                    |
| 2,350,000                     | 0.05                  | 05-Feb-23   | 2,350,000                     | 3.32                                    |
| 3,550,000                     | 0.05                  | 30-May-23   | 3,550,000                     | 3.57                                    |
| 1,450,000                     | 0.07                  | 30-Jan-24   | 1,450,000                     | 4.31                                    |
| <b>14,050,000</b>             |                       |             | <b>14,050,000</b>             | <b>2.91</b>                             |

The weighted average fair value per option issued during the nine months ended September 30, 2019 was \$0.045 (nine months ended September 30, 2018 – \$0.046).

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

## 9. LOSS PER COMMON SHARE

The following table sets forth the computation of basic and diluted loss per common share:

|  | Three months ended September<br>30, |             | Nine months ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2019                                | 2018        | 2019                               | 2018        |
| Numerator:                                   |                                     |             |                                    |             |
| Net loss attributable to common shareholders |                                     |             |                                    |             |
| - basic and diluted                          | \$ (110,804)                        | \$ (68,468) | \$ (337,132)                       | \$ (71,617) |
| Denominator:                                 |                                     |             |                                    |             |
| Weighted average common shares outstanding   |                                     |             |                                    |             |
| - basic                                      | 176,639,977                         | 138,567,162 | 175,839,148                        | 133,694,515 |
| - fully diluted                              | 231,938,647                         | 181,697,929 | 231,137,818                        | 176,825,281 |
| Basic and diluted loss per common share      | \$ (0.00)                           | \$ (0.00)   | \$ (0.00)                          | \$ (0.00)   |
| Basic and diluted loss per common share      | \$ (0.00)                           | \$ (0.00)   | \$ (0.00)                          | \$ (0.00)   |

The warrants and options outstanding were excluded from the computation of diluted loss per share in 2019 and 2018 because their impact was anti-dilutive.

## 10. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures during the nine months ended September 30, 2019.

### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to these items is remote.

### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had a cash balance of \$365,987 (December 31, 2018 – \$647,536) to settle current liabilities of \$222,120 (December 31, 2018 - \$168,175).

### Market risk

#### (a) Interest rate risk

The Company has cash balances and no long-term debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

#### (b) Foreign exchange risk

The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk.

The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

## RENFORTH RESOURCES INC.

### Notes to Condensed Interim Financial Statements (unaudited)

Three and nine months ended September 30, 2019 and September 30, 2018  
(Expressed in Canadian dollars)

#### 10. FINANCIAL RISK FACTORS (continued)

##### (c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

##### Fair value of financial assets and liabilities

The Company measures its cash, amounts receivable and accounts payable and accrued liabilities, at amortized cost.

As at September 30, 2019 and December 31, 2018, the fair values of Company's financial instruments approximate their carrying values, given their short-term nature.

#### 11. COMMITMENTS AND CONTINGENCIES

- (a) See note 6 for additional commitments and contingencies on evaluation and exploration assets.
- (b) The Company renounced \$633,000 of qualifying exploration expenditures to the shareholders effective December 31, 2018. Under the "look back" provision governing flow-through shares, \$633,000 of the amount was unspent by the end of 2018 and has to be spent by December 31, 2019.
- (c) The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

#### 12. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

| Nine months ended September 30,       | 2019       | 2018       |
|---------------------------------------|------------|------------|
| Interest paid                         | \$ -       | \$ -       |
| Income taxes paid                     | \$ -       | \$ -       |
| <b>Non-Monetary Transactions:</b>     |            |            |
| Shares issued for debt settlement     | \$ 122,040 | \$ 81,360  |
| Shares issued under option agreements | \$ 273,750 | \$ 25,000  |
| Shares issued for services            | \$ -       | \$ 233,440 |

#### 13. GENERAL AND CORPORATE EXPENSES

| For the three and nine months ended September 30, | 2019       | 2018      | 2019       | 2018       |
|---|------------|-----------|------------|------------|
| Management compensation                           | \$ 22,500  | \$ 22,500 | \$ 67,500  | \$ 67,500  |
| Legal and audit                                   | 10,400     | 5,000     | 21,995     | 15,000     |
| Consulting services                               | 53,812     | 31,767    | 141,502    | 148,405    |
| Insurance   | 2,159      | 2,168     | 7,143      | 6,460      |
| Transfer agent                                    | 3,293      | 3,906     | 5,469      | 6,150      |
| Administrative and general                        | 16,691     | 2,772     | 32,030     | 15,105     |
| Listing fees                                      | 1,950      | 355       | 5,850      | 6,400      |
|   | \$ 110,804 | \$ 68,468 | \$ 281,488 | \$ 265,020 |

## **RENFORTH RESOURCES INC.**

### **Notes to Condensed Interim Financial Statements (unaudited)**

Three and nine months ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

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#### **14. SUBSEQUENT EVENTS**

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Renforth completed a closing of a private placement with the issuance of 1,500,000 common share units, each unit priced at \$0.05 and consisting of one common share and one warrant to acquire an additional common share at a price of \$0.075 for a period of 24 months, and 5,488,000 flow through share units, each flow through unit priced at \$0.06 and consisting of one share issued on a “flow-through” basis and one warrant to acquire an additional common share at a price of \$0.10 for a period of 24 months, for a total raised of \$404,280. Commission and fees totalling \$25,862 in cash were paid, 436,373 broker’s warrants entitling the holder to acquire an additional common share at \$0.10 were issued.