

**Zenith Exploration Inc.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**  
**For the Six Months Ended January 31, 2020 and 2019**  
**(Expressed in Canadian Dollars)**

These unaudited condensed interim financial statements of Zenith Exploration Inc. for the six months ended January 31, 2020, have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

**Zenith Exploration Inc.**

## Condensed Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	January 31, 2019	July 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 61,592	\$ 117,711
Receivables		26,707	25,259
Due from former subsidiaries	5	17,905	-
Prepaid expenses and advances		-	6,156
		106,204	149,126
Exploration and evaluation assets	3	307,839	485,091
<b>TOTAL ASSETS</b>		<b>\$ 414,043</b>	<b>\$ 634,217</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 7,601	\$ 15,843
<b>TOTAL LIABILITIES</b>		<b>7,601</b>	<b>15,843</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	967,152	1,147,897
Contributed surplus		71,901	71,901
Deficit		(632,611)	(601,424)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>406,442</b>	<b>618,374</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 414,043</b>	<b>\$ 634,217</b>

**Nature and continuance of operations (Note 1)**

Approved by the Board of Directors and authorized for issue on March 26, 2020:

"Brent Hahn"

Brent Hahn, Director

"Barry Hartley"

Barry Hartley, Director

**Zenith Exploration Inc.****Condensed Interim Statements of Loss and Comprehensive Loss**

(Unaudited - Expressed in Canadian Dollars)

	<b>Three months ended January 31,</b>		<b>Six months ended January 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Expenses</b>				
Consulting fees	\$ -	\$ 10,000	\$ -	\$ 10,000
Management fees	-	200,000	-	200,000
Office and miscellaneous	43	38	70	411
Professional fees	6,956	13,111	24,471	37,056
Project generation	-	-	-	9,618
Regulatory fees	2,700	2,494	9,366	16,413
Share-based payments	-	66,754	-	66,754
Shareholder information	-	-	55	1,614
Transfer agent	625	1,137	2,325	1,955
<b>Loss and comprehensive loss for the period</b>	<b>\$ (10,324)</b>	<b>\$ (293,534)</b>	<b>\$ (36,287)</b>	<b>\$ (343,821)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>28,796,411</b>	<b>26,278,702</b>	<b>28,796,411</b>	<b>25,558,472</b>

See accompanying notes to the condensed interim financial statements.

**Zenith Exploration Inc.****Condensed Interim Statement of Changes in Equity**  
**(Unaudited - Expressed in Canadian Dollars)**

	Note	Share capital		Reserves	Deficit	Total
		Number of shares	Amount			
<b>Balance at July 31, 2018</b>		<b>24,511,601</b>	<b>\$ 821,577</b>	<b>\$ -</b>	<b>\$ (76,017)</b>	<b>\$ 745,560</b>
Private placement		1,121,500	112,150	-	-	112,150
Issuance of common shares for property		600,000	21,000	-	-	21,000
Exercise of stock options		2,563,310	128,166	-	-	128,166
Reallocation of fair value of stock options exercised		-	66,754	(66,754)	-	-
Share-based payments		-	-	66,754	-	66,754
Share issuance costs		-	(1,750)	-	-	(1,750)
Loss for the period		-	-	-	(343,821)	(343,821)
<b>Balance at January 31, 2019</b>		<b>28,796,411</b>	<b>\$ 1,147,897</b>	<b>\$ -</b>	<b>\$ (419,838)</b>	<b>\$ 728,059</b>
<b>Balance at July 31, 2019</b>		<b>28,796,411</b>	<b>\$ 1,147,897</b>	<b>\$ 71,901</b>	<b>\$ (601,424)</b>	<b>\$ 618,374</b>
Transfer of properties to former subsidiaries	4	-	(180,745)	-	-	(180,745)
Spin out of subsidiaries		-	-	-	5,100	5,100
Loss for the period		-	-	-	(36,287)	(36,287)
<b>Balance at January 31, 2020</b>		<b>28,796,411</b>	<b>\$ 967,152</b>	<b>\$ 71,901</b>	<b>\$ (632,611)</b>	<b>\$ 406,442</b>

**Zenith Exploration Inc.****Condensed Interim Statements of Cash Flows**

(Unaudited - Expressed in Canadian Dollars)

	<b>Six months ended January 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Loss for the period	\$ (36,287)	\$ (343,821)
Item not involving cash:		
Issuance of common shares for services	-	210,000
Share-based payments	-	66,754
Changes in non-cash working capital items:		
Receivables	(1,448)	(11,688)
Due from former subsidiaries	(10,142)	-
Prepaid expenses and advances	-	(30,132)
Accounts payable and accrued liabilities	(8,242)	(21,843)
<b>Net cash flows used in operating activities</b>	<b>(56,119)</b>	<b>(130,730)</b>
<b>Investing activities</b>		
Exploration and evaluation assets	-	(137,926)
<b>Net cash flows used in investing activities</b>	<b>-</b>	<b>(137,926)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares, net	-	18,900
Loans from related parties	-	(12,198)
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>6,702</b>
Change in cash	(56,119)	(261,954)
Cash, beginning of the period	117,711	448,984
<b>Cash, end of the period</b>	<b>\$ 61,592</b>	<b>\$ 187,030</b>
<b>Non-cash activities:</b>		
Shares issued for mineral properties	\$ -	\$ 21,000

See accompanying notes to the condensed interim financial statements.

## **Zenith Exploration Inc.**

Notes to the Condensed Interim Financial Statements  
For the Six Months Ended January 31, 2020 and 2019  
(Unaudited - Expressed in Canadian Dollars)

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### **1. Nature and continuance of operations**

Zenith Exploration Inc. (the "Company") was incorporated on June 19, 2015, under the laws of the Province of British Columbia, Canada. The Company is a resource exploration company that is acquiring and exploring mineral properties.

The head office, principal address, records office and registered address of the Company are located at 1080 - 789 West Pender Street, Vancouver BC. On October 11, 2018, the Company commenced trading on the Canadian Securities Exchange (the "Exchange") under the trading symbol "ZX".

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At January 31, 2020, the Company had not yet achieved profitable operations, had accumulated losses of \$632,611 (July 31, 2019 - \$601,424) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors.

### **2. Significant accounting policies and basis of preparation**

These condensed interim financial statements were approved and authorized for issue on March 26, 2020 by the directors of the Company.

#### ***Statement of compliance with International Financial Reporting Standards***

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2019.

#### ***Basis of preparation***

These condensed interim financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value. These condensed interim financial statements are presented in Canadian dollars unless otherwise specified.

**Zenith Exploration Inc.**

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**2. Significant accounting policies and basis of preparation (cont'd)*****New accounting standards*****Leases**

On August 1, 2019, the Company adopted IFRS 16. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The adoption of IFRS 16 had no impact on the Company's financial statements as the Company has no leases.

**3. Exploration and evaluation assets****Scotch Creek Property**

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property in the Kamloops Mining Division of British Columbia. In connection with the Scotch Creek Property agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Two directors of the Company are vendors of the property.

In consideration for a 100% undivided interest in the property, the Company issued 15,000,000 common shares for total consideration of \$300,000.

**Golden Girl Property**

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Golden Girl Property") located in B.C. for the following consideration:

- \$1,000 cash upon the signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

Pursuant to a plan of arrangement, the Company transferred the Golden Girl Property to Top Exploration Inc. ("Top Exploration"), a former subsidiary of the Company. As of the transaction date, the Company incurred total exploration and evaluation costs on the Golden Girl Property of \$88,682 (July 31, 2019 - \$87,086) (Note 4).

**Zenith Exploration Inc.**

Notes to the Condensed Interim Financial Statements  
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**3. Exploration and evaluation assets (cont'd)****Mantle Property**

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Mantle Property") located in B.C. for the following consideration:

- \$1,000 cash upon the signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

Pursuant to a plan of arrangement, the Company transferred the Mantle Property to High Point Exploration Inc. ("High Point"), a former subsidiary of the Company. As of the transaction date, the Company incurred total exploration and evaluation costs on the Mantle Property of \$92,063 (July 31, 2019 - \$90,166) (Note 4).

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the period ended January 31, 2020:

	Scotch Creek	Golden Girl	Mantle	Total
<b>Property acquisition costs</b>				
Balance, beginning of period	\$ 300,000	\$ 8,000	\$ 8,000	\$ 316,000
Additions	-	-	-	-
Transfer to former subsidiaries		(8,000)	(8,000)	(16,000)
<b>Balance, end of period</b>	300,000	-	-	300,000
<b>Exploration and evaluation costs</b>				
Balance, beginning of period	7,839	79,086	82,166	169,091
Costs incurred during the period:				
Management fees	-	1,596	1,897	3,493
Transfer to former subsidiaries	-	(80,682)	(84,063)	(164,745)
	7,839	-	-	7,839
<b>Total, end of period</b>	<b>\$ 307,839</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 307,839</b>

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended July 31, 2019:



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**3. Exploration and evaluation assets (cont'd)**

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended July 31, 2019:

	Scotch Creek	Lac Matchi	Golden Girl	Mantle	Total
<b>Property acquisition costs</b>					
Balance, beginning of year	\$ 300,000	\$ 20,000	\$ -	\$ -	\$ 320,000
Additions	-	7,000	8,000	8,000	23,000
<b>Balance, end of year</b>	<b>300,000</b>	<b>27,000</b>	<b>8,000</b>	<b>8,000</b>	<b>343,000</b>
<b>Exploration and evaluation costs</b>					
Balance, beginning of year	7,839	5,732	-	-	13,571
Costs incurred during the period:					
Management fees	-	-	7,857	7,857	15,714
Technical reports	-	-	29,067	17,416	46,483
Surveying	-	-	375	1,412	1,787
Geological consulting	-	-	10,731	600	11,331
Geophysical	-	-	31,056	54,781	85,837
Administration	-	-	-	100	100
<b>Balance, end of year</b>	<b>7,839</b>	<b>5,732</b>	<b>79,086</b>	<b>82,166</b>	<b>174,823</b>
Impairment	-	(32,732)	-	-	(32,732)
<b>Total, end of year</b>	<b>\$ 307,839</b>	<b>\$ -</b>	<b>\$ 87,086</b>	<b>\$ 90,166</b>	<b>\$ 485,091</b>

**4. Share capital****Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital**

At January 31, 2020, there were 28,796,411 (July 31, 2019 – 28,796,411) issued and fully paid common shares.

During the six months ended January 31, 2020, the Company completed a plan of arrangement with its former subsidiaries, High Point and Top Exploration. Pursuant to the plan of arrangement, the Company transferred the Mantle Property to High Point and the Golden Girl Property to Top Exploration. As of the transaction date, the Company had incurred exploration and evaluation costs of \$92,063 on the Mantle Property and \$88,682 on the Golden Girl Property. As a result of the transfer, the total value of share capital was reduced by \$180,745 (Note 3).

**Stock options**

As of January 31, 2020, and July 31, 2019, 2,879,641 stock options were outstanding and exercisable. The stock options are exercisable at a price of \$0.05 per share until March 6, 2024.

**Warrants**

The Company has not issued any warrants and no warrants are outstanding as at January 31, 2020.

**Zenith Exploration Inc.**

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**5. Related party transactions**

Payments to key management and directors during periods ended January 31, 2020 and 2019 were as follows:

	January 31, 2020	January 31, 2019
Management fees paid to officers or to companies controlled by officers	\$ -	\$ 200,000
Consulting fees paid to directors	-	10,000
Share-based payments	-	66,754
Total compensation	\$ -	\$ 276,754

As at January 31, 2020, loans to former subsidiaries are \$17,905 (July 31, 2019 - \$Nil).

**6. Financial risk and capital management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is not exposed to credit risk.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

**Zenith Exploration Inc.**

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**6. Financial risk and capital management (cont'd)*****Fair value***

The Company's financial instruments consist of cash, receivables, due from former subsidiaries and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. Cash is measured at fair value using Level 1 inputs.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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