KOOTENAY SILVER INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended

June 30, 2020

and

June 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

Notice of no Auditor review of Interim Financial Statements

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

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Exhibit 1

		June 30, 2020		December 31, 2019
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**6,308,395**	$	8,710,501
Receivables and advances (Note 8, 10)		**1,064,078**		1,012,291
Prepaid expenses		**137,853**		70,341
Marketable securities (Note 4)		**691,195**		570,197
		8,201,521		10,363,330
Non-current assets:				
Fixed assets (Note 5)		**1,034,889**		1,047,010
Exploration advances and deposits		**83,211**		82,384
Exploration and evaluation assets (Note 6)		**77,481,580**		75,651,669
Total assets	**$**	**86,801,201**	$	87,144,393
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities (Note 10)	**$**	**201,184**	$	367,945
		201,184		367,945
Shareholders' equity:				
Share capital (Note 7)		**93,297,530**		92,511,070
Reserves (Note 7)		**36,481,532**		36,536,369
Accumulated other comprehensive loss (Exhibit 4)		**4,400,889**		4,463,425
Deficit		**(47,579,934)**		(46,734,416)
Total shareholders' equity		**86,600,017**		86,776,448
Total liabilities and shareholders' equity	**$**	**86,801,201**	$	87,144,393

Going concern (Note 1)
Commitments (Note 12)

Approved on Behalf of the Board:

"James McDonald"
Director

"Jon Morda"
Director

- See Accompanying Notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF LOSS

Exhibit 2

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
General and administrative expenses				
Office and general (Note 10)	**$ 153,031**	$ 284,213	**$ 399,091**	$ 448,786
Option based compensation (Note 7)	**40,881**	102,932	**81,944**	102,932
Professional fees	**39,313**	77,306	**131,622**	152,836
Management fees (Note 10)	**48,250**	48,250	**96,500**	96,500
Rent	**16,101**	22,248	**40,283**	40,994
Regulatory and filing fees	**12,179**	11,108	**34,719**	19,922
Depreciation (Note 5)	**8,039**	10,340	**24,088**	22,716
Loss before exploration and other Items	**347,794**	556,397	**808,247**	884,686
Exploration				
Mineral property investigation (Note 6)	**51,098**	41,715	**57,023**	93,667
	51,098	41,715	**57,023**	93,667
Other Items				
Foreign exchange loss/(gain)	**163,115**	(3,256)	**38,491**	31,166
Administration income	-	-	**-**	(18,019)
IVA recovery	-	(76,070)	**-**	(76,070)
Finance income	**(16,966)**	(39,620)	**(58,243)**	(52,789)
	146,149	(118,946)	**(19,752)**	(115,712)
Loss for the period	**545,041**	479,166	**845,518**	862,641
Basic and diluted loss per share (Note 7)	**$ (0.002)**	$ (0.002)	**$ (0.003)**	$ (0.004)
Weighted average number of shares outstanding	**288,083,670**	245,751,521	**287,825,428**	228,141,725

- see accompanying notes -

KOOTENAY SILVER INC.
(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

Exhibit 3

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Loss for the period	**$ 545,041**	$ 479,166	**$ 845,518**	$ 862,641
Other comprehensive loss				
Fair value changes to marketable securities arising during the period	**(383,883)**	(111,159)	**(121,000)**	(222,832)
Foreign currency translation differences of foreign operations	**1,433,218**	734,838	**183,536**	1,196,055
Total other comprehensive loss	**1,049,335**	623,679	**62,536**	973,223
Comprehensive loss for the period	**$ 1,594,376**	$ 1,102,845	**$ 908,054**	$ 1,835,864

- see accompanying notes -

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Exhibit 4

	Number of Shares	Capital Stock	Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance, December 31, 2018	195,221,856	$ 83,828,787	$ 30,983,233	$ 5,766,629	$ (44,735,208)	75,843,441
Shares issued, net of issuance costs	50,309,511	3,388,953	3,315,453	-	-	6,704,406
Acquisition of mineral properties	242,000	25,830	-	-	-	25,830
Option based compensation	-	-	171,553	-	-	171,553
Fair value changes to marketable securities arising during the period	-	-	-	222,832	-	222,832
Foreign currency translation differences of foreign operations	-	-	-	(1,196,055)	-	(1,196,055)
Loss for the period	-	-	-	-	(862,641)	(862,641)
Balance, June 30, 2019	**245,773,367**	**$ 87,243,570**	**$ 34,470,239**	**$ 4,793,406**	**$ (45,597,849)**	**$ 80,909,366**
Balance, December 31, 2019	286,513,175	$ 92,511,070	$ 36,536,369	$ 4,463,425	$ (46,734,416)	$ 86,776,448
Acquisition of mineral properties	50,000	17,250	-	-	-	17,250
Option based compensation	-	-	136,573	-	-	136,573
Exercise of share purchase options	565,000	127,170	(32,370)	-	-	94,800
Exercise of share purchase warrants	2,390,000	642,040	(159,040)	-	-	483,000
Fair value changes to marketable securities arising during the period	-	-	-	121,000	-	121,000
Foreign currency translation differences of foreign operations	-	-	-	(183,536)	-	(183,536)
Loss for the period	-	-	-	-	(845,518)	(845,518)
Balance, June 30, 2020	**289,518,175**	**$ 93,297,530**	**$ 36,481,532**	**$ 4,400,889**	**$ (47,579,934)**	**$ 86,600,017**

- see accompanying notes

KOOTENAY SILVER INC.

(Expressed in Canadian dollars)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Exhibit 5

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Cash flows from operating activities				
Loss for the period	**$ (545,041)**	$ (479,166)	$ **(845,518)**	$ (862,641)
Add items not involving cash:				
Option based compensation	**8,039**	102,932	**81,944**	102,932
Depreciation	**40,881**	10,340	**24,088**	22,716
	(496,121)	(365,894)	**(739,486)**	(736,993)
Changes in non-cash working capital balances:				
Receivable and advances	**(110,492)**	(53,856)	**(238,640)**	124,831
Prepaid expenses	**90,936**	33,252	**16,477**	(44,541)
Accounts payable and accrued liabilities	**(7,116)**	(135,179)	**(177,168)**	(171,299)
	(522,793)	(521,677)	**(1,138,817)**	(828,002)
Cash flows from financing activities				
Shares issued, net of share issuance costs	**336,999**	-	**577,799**	6,704,406
	336,999	-	**577,799**	6,704,406
Cash flows from investing activities				
Investment in exploration and evaluation assets	**(494,749)**	(811,897)	**(1,500,143)**	(1,189,283)
Investment in equipment	-	-	**(5,882)**	(1,533)
	(494,749)	(811,897)	**(1,506,025)**	(1,190,816)
Effect of foreign exchange rate changes on cash	**(232,547)**	25,614	**(335,063)**	(357,183)
Net change in cash and cash equivalents during the period	**(913,090)**	(1,307,960)	**(2,402,106)**	4,330,805
Cash and cash equivalents, beginning of the period	**7,221,485**	7,207,010	**8,710,501**	1,568,245
Cash and cash equivalents, end of the period	**$ 6,308,395**	$ 5,899,050	$ **6,308,395**	$ 5,899,050

Supplemental disclosure of cash and non-cash activities (Note 9)

- see accompanying notes -

(Expressed in Canadian dollars)

1 Reporting Entity:

Kootenay Silver Inc. and its wholly owned subsidiaries (the "Company") is a Canadian exploration stage Company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company's registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. The Company is currently listed on the TSX Venture Exchange ("TSX-V") under the symbol "KTN".

The Company is focused on acquiring and exploring mineral properties principally located in North America, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all anticipated exploration and other programs during the forthcoming year and thereafter. If funds are unavailable on terms satisfactory to the Company, some or all planned activities may be cancelled or postponed.

The business of mining and exploration 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 resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. The Company will need access to capital to continue advancing its projects in Mexico and Canada, as well as other property interests.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments to the carrying values of assets and liabilities would be necessary.

	June 30, 2020	December 31, 2019
Deficit	**$ 47,579,934**	$ 46,734,416
Working capital	**$ 8,000,337**	$ 9,995,385

2 Basis of Presentation:

Statement of Compliance

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated interim financial statements are for the three and six months ended June 30, 2020 and have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). They do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019. The policies applied in these consolidated interim financial statements are consistent with the accounting policies disclosed in Notes 2 and 3 of the audited consolidated financial statements for the year ended December 31, 2019.

These consolidated interim financial statements were authorized for issue by the Audit Committee of the Company as authorized by the Board of Directors on August 24, 2020.

Functional and presentation currency

These consolidated interim financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company and its wholly owned subsidiaries, Northair Silver Corp and Kootenay Resources Inc. The functional currency of wholly owned subsidiaries of the Company, Minera JM S.A. de C.V., Grupo Northair de Mexico S.A. de C.V. and Kootenay Gold (US) Corp., is the US dollar and for Servicios de Exploraciones Sonora, S.A. de C.V., is the Mexican Peso.

Assets and liabilities of the subsidiaries with a functional currency in US dollars and Mexican pesos are translated at the period-end exchange rates, and the results of its operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded in accumulated other comprehensive loss (income) in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive loss.

3 Significant Accounting Policies:

The significant accounting policies applied in the preparation of these consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019 except as noted below. These consolidated interim statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

4 Marketable Securities:

As at June 30, 2020, the fair value of marketable securities held was $691,195 (2019 – $818,445). These relate to investments in publicly traded companies which have issued to the Company common shares in consideration of various property earn-in option agreements. During the six months ended June 30, 2020, the Company recorded in other comprehensive loss, a gain of $121,000 (2019 – $222,832) for fair value adjustments to marketable securities.

(Expressed in Canadian dollars)

5 Fixed Assets:

	Vehicle	Office Equipment	Computer Equipment	Leasehold	Land	Total
Cost						
Balance December 31, 2018	$ 309,693	$ 66,485	$ 310,607	$ 60,321	$ 803,304	$ 1,550,410
Addition	78,184	-	32,876	-	-	111,060
Disposal	-	-	(10,000)	-	-	(10,000)
Effect of foreign exchange	(4,052)	-	(48,391)	-	-	(52,443)
Balance December 31, 2019	383,825	66,485	285,093	60,321	803,304	1,599,028
Addition	-	-	5,882	-	-	5,882
Effect of foreign exchange	5,275	-	3,343	-	-	8,618
Balance June 30, 2020	**$ 389,100**	**$ 66,485**	**$ 294,318**	**$ 60,321**	**$ 803,304**	**$ 1,613,528**
Accumulated Depreciation						
Balance December 31, 2018	$ 260,310	$ 57,003	$ 168,391	$ 60,321	$ -	$ 546,025
Depreciation for the year	24,815	4,455	14,546	-	-	43,815
Disposal	-	(4,297)	(7,599)	-	-	(11,896)
Effect of foreign exchange	(18,200)	-	(7,727)	-	-	(25,927)
Balance December 31, 2019	266,925	57,161	167,610	60,321	-	552,017
Depreciation for the period	13,077	2,800	8,211	-	-	24,088
Effect of foreign exchange	1,556	-	977	-	-	2.533
Balance June 30, 2020	**$ 281,558**	**$ 59,961**	**$ 176,798**	**$ 60,321**	$ -	**$ 578,638**
Carrying value December 31, 2019	$ 116,900	$ 9,324	$ 117,482	$ -	$ 803,304	$ 1,047,010
Carrying value June 30, 2020	**$ 107,542**	**$ 6,524**	**$ 117,519**	**$ -**	**$ 803,304**	**$ 1,034,889**

(Expressed in Canadian dollars)

6 Exploration and evaluation assets:

	MEXICO								CANADA					
	Promontorio	La Cigarra	Columba	Copalito	Generative Anomalies	Cervantes*	San Diego	Mexico Total	Nechako Region	Silver Fox	Other	Canada Total	2020 Total	2019 Total
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Acquisition Costs														
Balance, beginning	3,658,642	30,548,524	136,940	127,625	677,222	-	148,868	**35,297,821**	168,380	59,250	1,612,856	**1,840,486**	**37,138,307**	36,515,282
Incurred	-	-	-	-	-	-	-	-	-	-	86,423	**86,423**	86,423	623,025
Balance, ending	**3,658,642**	**30,548,524**	**136,940**	**127,625**	**677,222**	**-**	**148,868**	35,297,821	**168,380**	**59,250**	**1,699,279**	1,926,909	37,224,730	37,138,307
Exploration Expenditures														
Balance, beginning	32,161,334	5,110,401	2,561,014	250,014	6,938,611	244,394	315,309	**47,581,077**	676,482	1,962,937	6,846,326	**9,485,745**	**57,066,822**	53,202,619
Assaying and Lab	-	-	29,705	6,019	-	-	-	**35,724**	239	-	498	**737**	**36,461**	128,387
Camp Costs	26,265	-	37,500	-	-	-	-	**63,765**	-	-	-	**-**	**63,765**	637,090
Drafting	-	-	-	-	-	-	-	**-**	6,546	-	16,238	**22,784**	**22,784**	45,048
Drilling	-	-	353,366	77,177	-	-	-	**430,543**	450	-	-	**450**	**430,993**	1,387,308
Geological mapping	-	41,947	5,733	750	-	-	-	**48,430**	-	-	6,263	**6,263**	**54,693**	55,612
Geophysics	-	6,598	-	-	-	-	-	**6,598**	31,927	-	-	**31,927**	**38,525**	121,268
Maintenance	57,819	44,106	14,417	39,194	16,291	-	-	**171,827**	4,225	-	3,899	**8,124**	**179,951**	110,202
Miscellaneous	11,121	-	-	-	7,631	-	-	**18,752**	1,800	-	-	**1,800**	**20,552**	32,891
Geological Consulting and Prospecting	6,663	51,608	301,482	150,154	1,306	-	-	**511,213**	39,825	-	74,342	**114,167**	**625,380**	1,346,397
Rock Sampling	-	-	-	-	-	-	-	**-**	-	-	-	**-**	**-**	-
Metallurgical testing	-	-	-	-	-	-	-	**-**	-	-	-	**-**	**-**	-
Incurred	**101,868**	**144,259**	**742,203**	**273,294**	**25,228**	**-**	**-**	**1,286,852**	**85,012**	**-**	**101,240**	**186,252**	**1,473,104**	3,864,203
Balance, ending	32,263,202	5,254,660	3,303,217	523,308	6,963,839	244,394	315,309	**48,867,929**	761,494	1,962,937	6,947,566	**9,671,997**	**58,539,926**	57,066,822
Total properties balance	**35,921,844**	**35,803,184**	**3,440,157**	**650,933**	**7,641,061**	**244,394**	**464,177**	84,165,750	**929,874**	**2,022,187**	**8,646,845**	11,598,906	95,764,656	94,205,129
Balance, beginning	**(1,420,910)**		**(9,567)**		**(6,241,181)**	**(244,394)**	**(464,177)**	**(8,380,229)**	**(633,531)**	**(1,585,178)**	**(6,965,504)**	**(9,184,213)**	**(17,564,442)**	(17,509,158)
Recovery of costs	-	-	-	-				**-**	-	-	-	**-**	**-**	(9,700)
Mineral exploration refund	-	-	-	-	-	-	-	**-**	-	-	-	**-**	**-**	(70,650)
Proceeds from sale	-	-	-	-	-	-	-	**-**	-	-	-	**-**	**-**	102,008
Option payment received	-	-	-	-	-	-	-	**-**	-	-	-	**-**	**-**	(67,375)
Impaired or disposed	-	-	-	-	-	-	-	**-**	-	-	-	**-**	**-**	-
Cumulative change in foreign currency translation	(718,634)	-	-	-	-	-	-	**(718,634)**	-	-	-	**-**	**(718,634)**	(998,586)
Carrying value mineral properties	**33,782,300**	**35,803,184**	**3,430,590**	**650,933**	**1,399,880**	**-**	**-**	75,066,887	**296,343**	**437,009**	**1,681,341**	2,414,693	77,481,580	75,651,669

*Joint venture agreement

6 Exploration and evaluation assets *(continued)***:**

La Cigarra – Chihuahua State, Mexico

The Company acquired the La Cigarra project through the acquisition of Northair and its wholly owned Mexican subsidiary Grupo Northair.

The La Cigarra project is 100% owned by the Company with no underlying royalty on the resource. However certain concessions are subject to a 1% net smelter royalty under an agreement with DFX Exploration Ltd. (the "DFX Agreement"). Pursuant to the terms of the DFX Agreement, a royalty will be paid of $0.10 per silver equivalent ounce from production to a maximum of 185 million ounces from the Parral 2 concession.

On April 19, 2016, the Company purchased from Coeur Capital a 2.5% net smelter royalty ("NSR Acquisition") that it held on the La Cigarra project for total consideration of US$2,500,000 of which US$500,000 ($646,025) was paid in cash and US$2,000,000 was completed through the issuance of 9,629,091 common shares (valued at $2,648,000) of the Company. The NSR Acquisition and transaction costs have been recorded as La Cigarra acquisition costs.

Promontorio – Sonora State, Mexico

The Company entered into an agreement on October 20, 2006 with Siete Campanas de Plata, S.A de C.V. ("Siete"), Exploration Canada De Oro, SA de CV ("ECO") and the Mexican Government Agency ("FIFOMI") to acquire an unencumbered 100% registered and beneficial interest in the Promontorio Concession, which includes the former producing Promontorio Mine Site. Upon completion of a bankable feasibility study or commencement of production, the Company must pay the remaining cash balance of US$210,000 to ECO.

A 1% net smelter royalty is payable to Siete on the core claims of Promontorio of which the Company can purchase 50% of this net smelter royalty at any time for US$500,000. The Company also has a right of first refusal to purchase the remaining 50% of this royalty. Additionally, a 2% net smelter royalty is payable to ECO on the core and surrounding claims. The Company may upon commencement of commercial production or sooner purchase 50% of this net smelter return for US$1,000,000. The Company also has a right of first refusal on the remaining 50% of this royalty.

On March 4, 2016, the Company formalized and closed an option agreement with Pan American Silver Corporation ("Pan American") and its wholly owned Mexican subsidiary Compania Minera Dolores S.A. de C.V. ("Dolores") whereby the Company and Minera JM S.A. de C.V. ("MJM") granted Dolores the right to earn a 75% interest in MJM's Promontorio Mineral Belt silver properties (including the Promontorio deposit and La Negra discovery). The terms of the agreement allow Dolores to earn a 75% interest in consideration for: (a) an aggregate total of US$8,000,000 of exploration and development expenditures on MJM's properties in the Promontorio Mineral Belt and (b) cash payments totaling US$8,050,000 to MJM over a 4-year period. All expenditures from earn in until production are provided by Pan American. Cash payments totaling US$650,000 have been received. The Company announced receipt of termination of the option agreement from Pan American on June 7, 2019.

6 Exploration and evaluation assets *(continued)***:**

Columba – Chihuahua State, Mexico

On November 12, 2018, the Company entered into an option agreement to acquire an undivided interest in the Columba concession. Under the terms of the agreement, the Company must make total cash payments of US$3,290,000 within a four-year period with an initial payment of US$15,000 and first and second years payments totalling US$75,000 and US$150,000 respectively. The Agreement includes a work commitment of US$250,000 by the first anniversary and US$750,000 by the second anniversary of the Agreement, which the Company has fulfilled early. Upon earn-in the vendors retain a 2% n.s.r. of which 1% can be purchased by the Company for US$750,000.

Copalito – Sinaloa, Mexico

On April 19, 2018, the Company entered into an option agreement to acquire an undivided interest in the Copalito concession. Under the terms of the agreement, the Company must make total staged cash payments of US$985,000 within a four-year period with an initial payment of US$30,000 on signing. Payments totalling US$65,000 were made during the current year. Upon earn-in the vendors retain a 0.5% n.s.r. A finders fee of 100,000 common shares with a fair market value of $15,500 and a cash payment of $10,000 were paid in connection with the option agreement.

Cervantes – Sonora State, Mexico

On July 25, 2015, the Company entered into an option agreement with Aztec Metals Corp. (“Aztec”), whereby the Company granted Aztec the right to earn up to a 100% interest in the Cervantes Gold/Copper project. The terms of the agreement allow Aztec to earn a 65% interest by: spending an aggregate total of US$1.5 million in exploration expenditures by July 25, 2019; paying an aggregate total of US$150,000 in staged payments to the Company by July 25, 2019; and issuing an aggregated total of 1,000,000 common shares in staged payments on each anniversary to the Company of which 500,000 were issued as at March 31, 2019. During the year ended December 31, 2019, the Company received the final share installment and the remaining US$50,000 cash payment.

Aztec having earned in to 65% of the Cervantes project have opted not to acquire the remaining 35%. The Company and Aztec are currently in the process of formalizing a joint venture agreement.

Effective September 30, 2016, the obligations of the option agreement were assigned to Aztec Minerals Corp. from Aztec.

Copley Property – Nechako Plateau, British Columbia

On February 23, 2010, the Company entered into an option agreement whereby it was granted the right to earn a 100% undivided interest in 10 mineral tenures totaling approximately 2,927 hectares collectively named as the Copley Property. Under the agreement the Company must make total cash payments of $80,000; issue an aggregate total of 130,000 common shares and make a cash payment of $5 per metre drilled to a maximum of 100,000 metres. The Company has issued 130,000 shares with a fair value of $84,400 and has made the total cash payments due under the agreement.

6 Exploration and evaluation assets *(continued)***:**

Silver Fox – Southern British Columbia

On September 29, 2015, the Company entered into an option agreement with a wholly-owned subsidiary of Antofagasta plc ("Antofagasta") granting Antofagasta the option to earn up to an 80% interest in the Silver Fox property located in South Eastern British Columbia. The terms of the agreement grant Antofagasta the right to earn a 65% interest ("First Option") by funding or incurring an aggregate total of US$2.5 million (the "First Option Expenditures") in exploration expenditures on or before September 29, 2021, amended from September 29, 2019. Antofagasta has the right to accelerate the First Option Expenditures. Antofagasta will have the right to acquire a further 15% interest ("Second Option") by incurring an additional aggregate total US$1.65 million in exploration expenditures within two years of the First Option exercise date. If Antofagasta decides not to exercise the Second Option, a joint venture based on a 65/35% interest will form under the Agreement in relation to the property. In June 2019, Antofagasta terminated the option agreement.

Under the terms of the Underlying Option Agreement, the Company can acquire a 100% interest in Silver Fox by issuing 100,000 common shares to Kennedy Group ("Kennedy Group") by July 3, 2018 (the "Underlying Option") of which 100,000 common shares have been issued with a fair value of $26,750 including 50,000 common shares with a fair value of $8,500 issued during the year ended December 31, 2018. The Silver Fox is subject to a 2.0% net smelter returns royalty in favour of Kennedy (the "Underlying Royalty"). The Underlying Royalty is subject to a purchase right in favour of the Company, exercisable by the Company by paying $500,000 for each 0.5% of the Underlying Royalty.

The Fox and Two Times Fred Properties – Nechako Plateau, British Columbia

The Two Times Fred property was optioned to the Company effective July 1, 2014, pursuant to a grubstake agreement. To maintain its option, the Company must make total cash payments of $80,000; issue an aggregate total of 230,000 common shares and make a cash payment of $5 per metre drilled to a maximum of 100,000 metres. Under the Kennedy grubstake agreement, a 2% NSR exists and can be purchased by the Company for $500,000 per each one-half (0.5%) percentile. The Company has made total cash payments of $35,000 and issued 230,000 shares with a fair value of $58,425, included in the respective amounts are 35,000 shares with a fair value of $8,925 issued during the year ended December 31, 2019.

On March 1, 2011, the Company optioned the Fox property. To maintain its option, the Company made total cash payments of $80,000; issued an aggregate total of 130,000 common shares and if applicable make a cash payment of $5 per metre drilled to a maximum of 100,000 metres.

Mark Property – Southern British Columbia

On June 16, 2017, the Company entered into an option agreement with a wholly-owned subsidiary of Antofagasta Minerals S.A. ("Antofagasta S.A.") granting Antofagasta S.A. the option to earn up to an 65% interest in the Mark Project located in South Eastern British Columbia. The terms of the agreement grant Antofagasta the right to earn a 65% interest by funding or incurring an aggregate total of US$3 million in exploration expenditures (the "Expenditures") on or before June 16, 2021. Upon exercising their earn-in, a joint venture based on a 65/35% interest will be formed under the Agreement in relation to the property. In June 2019, Antofagasta terminated the option agreement.

6 Exploration and evaluation assets *(continued)*:

Mark Property – Southern British Columbia

On June 7, 2017, the Company is exercised its right under a Grub Stake Agreement (the "Grub Stake Agreement") with the Kennedy Group to acquire a 100% interest in the Mark Project (the "Acquisition"). The Mark Project is comprised of 17 mineral tenures totaling approximately 14,093 hectares. Pursuant to the terms of the Grub Stake Agreement, in order to complete the Acquisition, the Company issued 100,000 common shares with a fair value of $15,500 to the Kennedy Group. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1% net smelter returns royalty, which can be purchased by the Company, in whole or in part, for $1,000,000 per each one-half percent (0.5%).

Meachen Bend Project – British Columbia

On October 29, 2018, the Company announced it had entered an option agreement to acquire a 100% interest in the Meachen Bend Project (the "Meachen Property"). Pursuant to the terms of the option agreement, the Company must issue 500,000 common shares and staged cash payments totaling $100,000 over 4 years upon receipt of TSXV approval, the Company issued 150,000 common shares with a fair value of $26,750 and paid $35,000 in cash payments with 50,000 common shares with a fair value of $17,250 and cash a payment of $20,000 incurred during the six months ended June 30, 2020. Following completion of the Acquisition, the Kennedy Group will retain an underlying 1.5% net smelter returns royalty, of which, one-half percent (0.5%) can be purchased by the Company, for $500,000.

Property Investigation and Impairment

During the six months ended June 30, 2020, the Company expended $57,023 (2019 - $93,667) related to other property investigation expense, which is related to mineral properties located in both Mexico and Canada. Once the Company has made its evaluations, the properties will be either be abandoned or acquired.

Title to mineral property interests

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

7 Share Capital and Reserves:

Authorized:
The authorized share capital is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting of only common shares are fully paid. There were 289,518,175 fully paid common shares on issue as at June 30, 2020.

On March 5, 2019, the Company closed a non-brokered private placement for 50,309,511 units at a price of $0.14 per Unit for gross proceeds of $7,043,332. Each unit consisted of one common share and one common share purchase warrant totalling 50,309,511 warrants. Each warrant entitles the holder to acquire one common share at an exercise price of $0.20 until March 5, 2024.

(Expressed in Canadian dollars)

7 Share Capital and Reserves *(continued):*

On August 22, 2019, the Company closed a non-brokered private placement of 31,250,000 units at a price of $0.16 per unit for gross proceeds of $5,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.22 until August 22, 2022. A finder's fee of $200,000 was paid to Mackie Research Capital Corporation in units, totalling 1,250,000 common shares and 625,000 warrants.

On October 15, 2019, the Company closed a non-brokered private placement of 7,692,308 units at a price of $0.26 per unit for gross proceeds of $2,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.40 and expire on October 11, 2021.

Options and Warrants:

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, December 31, 2018	36,919,381	$	0.48	11,088,500	$	0.39
Granted	70,405,665		0.22	8,450,000		0.14
Exercised	-		-	(512,500)		0.14
Expired	-		-	(1,650,250)		0.42
Outstanding, December 31, 2019	107,325,046	$	0.31	17,375,750	$	0.27
Exercised	(2,390,000)		0.20	(565,000)		0.17
Expired	-		-	(2,568,250)		0.34
Outstanding, June 30, 2020	**104,935,046**	**$**	**0.31**	**14,242,500**	**$**	**0.26**

Warrants
As at June 30, 2020, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Warrants		Exercise Price	Expiry Date
26,872,141	$	0.55	April 22, 2021
9,774,740		0.30	December 13, 2020
272,500		0.30	January 5, 2021
47,919,511		0.20	March 5, 2024
16,250,000		0.22	August 22, 2022
3,846,154		0.40	October 11, 2021
104,935,046			

The weighted average remaining life of the outstanding warrants is 2.31 years (December 31, 2019 – 2.84 years). The fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in reserves until exercised, at which time they are transferred into share capital.

(Expressed in Canadian dollars)

7 Share Capital and Reserves *(continued):*

The following assumptions were used for the Black-Scholes valuation of warrants for the year ended December 31, 2019:

	2019
Risk-free interest rate	1.23% - 1.75%
Expected life of warrants	36 - 60 months
Fair value per warrant issued	$0.066 - $0.096
Annualized volatility	65 - 80%
Dividend rate	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time.

During the six months ended June 30, 2020, option-based compensation totalling $136,573 (2019 - $171,553) of which $54,629 (2019 - $68,621) was capitalized under mineral properties and $81,944 (2019 - $102,932) was expensed. As at June 30, 2020, 12,355,625 options (December 31, 2019 – 13,150,750) with a weighted average exercise price of $0.28 per option (December 31, 2019 - $0.31) were fully vested and exercisable.

As at June 30, 2020, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number of Options	Exercise Price	Expiry Date
6,695,000	0.40	January 20, 2022
7,547,500	0.14	June 26, 2024
14,242,500		

The weighted average remaining life of the options is 2.85 years (December 31, 2019 – 2.86 years). For stock options granted to employees, officers, directors and consultants, share based payment expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted during the year ended December 31, 2019 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2019
Risk-free interest rate	1.50%
Expected life of options	5 years
Fair value per option granted	$0.079
Annualized volatility	81.5%
Dividend rate	0.00%

(Expressed in Canadian dollars)

7 Share Capital and Reserves *(continued):*

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

Loss per share

The calculation of basic loss per share for the six months ended June 30, 2020 was based on the loss of $845,518 (2019 - $862,641) and the weighted average number of common shares outstanding of 287,825,428 (2019 – 228,141,725), respectively. The Company does not have any instruments that would give rise to a dilution effect as of June 30, 2020 and 2019. As at June 30, 2020, the Company has 14,242,500 (2019 – 19,200,750) options that are anti-dilutive and thus, not included in diluted loss per share.

8 Receivables:

The Company's receivables are as follows:

		June 30, 2020		December 31, 2019
IVA/GST receivable	**$**	**1,035,565**	$	996,123
Other receivable		**9,077**		16,168
Exploration advances and deposits		**19,436**		82,384
Total	**$**	**1,064,078**	$	1,094,675

9 Supplemental Disclosure of Cash and Non-Cash Activities:

The following transactions incurred during the period did not include cash:

		2020		2019
Option based compensation capitalized in mineral property	**$**	**54,629**	$	68,621
Issuance of share capital for acquisition of mineral property interests		**17,250**		25,830
Mineral property costs included in accounts payable	**$**	**-**	$	187,846

10 Related Party Transactions and Balances:

Except as disclosed elsewhere in these consolidated financial statements the following related party transactions were incurred in the normal course of business and were measured at the exchange amount:

		2020		2019
Management fees charged by companies controlled by a director and/or officers	**$**	**196,500**	$	98,250
Consulting, administrative and geological fees charged by a company with common officers		**60,000**		30,000
	$	**256,500**	$	128,250

The Company has entered into a consulting agreement dated January 1, 2008 with Makwa Exploration Ltd. ("Makwa") for the services of James McDonald to act as the Company's President and CEO. The base monthly fee for Makwa was amended to $20,833.

(Expressed in Canadian dollars)

10 Related Party Transactions and Balances *(continued):*

Effective September 1, 2008, the Company entered into an administrative and geological services agreement with a private company indirectly related to two common directors, which provides services to the Company including assisting in professional analysis, geological personnel, planning of exploration programs, promotional materials; providing access to financial and secretarial services and providing such other additional instructions and directions as the Company may require. For the six months ended June 30, 2020, the Company incurred expenses $60,000 (2019 - $60,000) under the administrative services contract.

In addition to the above:

a) Included in marketable securities as at June 30, 2020 is $155,000 (December 31, 2019 - $147,500) market value of shares received from companies with directors in common.

b) Included in accounts receivable as at June 30, 2020 is $4,902 (December 31, 2019 - $5,702) receivable from companies who have common directors or officers.

c) Included in accounts payable as at June 30, 2020 is $26,877 (December 31, 2019 - $24,005) payable to companies who have common directors or officers.

d) For the six months ended June 30, 2020, the Company incurred $49,000 (2019 - $52,000) for compensation to directors. As at June 30, 2020, $23,000 (December 31, 2019 - $24,000) was held in accrued liabilities as owing to directors for compensation.

e) For the six months end ended June 30, 2020, the Company recorded $71,107 (2019 – $89,207) for option-based compensation to officers and directors of the Company.

11 Segmented Information:

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties.

The Company's current assets, non-current assets, current liabilities, and mineral properties and non-current liabilities by geographic location are as follows:

	June 30, 2020	December 31, 2019
Canada:		
Current assets	**$ 6,900,906**	$ 9,130,034
Mineral properties	**2,414,693**	2,142,018
Non-current assets	**136,212**	141,295
Current liabilities	**(139,297)**	(281,329)
	$ 9,312,513	$ 11,132,018
Mexico:		
Current assets	**$ 1,300,615**	$ 1,233,296
Mineral properties	**75,066,887**	73,509,651
Non-current assets	**981,888**	988,099
Current liabilities	**(37,887)**	(86,616)
	$ 77,311,503	$ 75,644,430

(Expressed in Canadian dollars)

12 Commitments:

The Company entered into a various contracts for office and warehouse rent in Canada and Mexico. The following table summarizes the Company's total annual obligations under this agreement as at June 30, 2020:

2020	$	25,947
2021	$	30,288

13 Financial Instruments and Financial Risk Management:

The Company's financial instruments include cash and cash equivalents, receivable and advances, marketable securities, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and due to the insignificant carrying values of long-term financial instruments except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements, Goods and Services Tax input tax credits and IVA credits (Mexican Value Added Tax refunds) from the Mexican Government. Accordingly, the Company views credit risk on accounts receivable as minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

The Company anticipates it will have adequate liquidity to fund its financial liabilities.

As at June 30, 2020, the Company's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

13 Financial Instruments and Financial Risk Management *(continued)*:

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso. The Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

The balances denominated in foreign currency are as follows:

	June 30, 2020	December 31, 2019
	US$	US$
Cash and cash equivalents	**304,765**	197,791
Trade accounts payable and accrued liabilities	**2,721**	1,336
	Mexican Peso	Mexican Peso
Cash and cash equivalents	**1,324,270**	3,400,275
Receivables and advances	**14,369,042**	11,383,723
Trade accounts payable and accrued liabilities	**629,020**	1,290,824

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the period. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have an collective impact of approximately +/- $118,000. This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(Expressed in Canadian dollars)

13 Financial Instruments and Financial Risk Management *(continued)*:

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's consolidated financial statements.

d) Fair value of financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

June 30, 2020		**Level 1**		**Level 2**		**Level 3**		**Total**
Marketable securities	$	691,195	$	-	$	-	$	691,195
Cash and cash equivalents	$	6,308,395	$	-	$	-	$	6,308,395
Receivable and advances	$	-	$	9,077	$	-	$	9,077
Accounts payable and accrued liabilities	$	-	$	(177,184)	$	-	$	(177,184)
December 31, 2019		Level 1		Level 2		Level 3		Total
Marketable securities	$	570,197	$	-	$	-	$	570,197
Cash and cash equivalents	$	8,710,501	$	-	$	-	$	8,710,501
Receivable and advances	$	-	$	16,168	$	-	$	16,168
Accounts payable and accrued liabilities	$	-	$	(367,945)	$	-	$	(367,945)

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no change between levels during the period. The Company's carrying values of receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

14 Capital Management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Company's capital structure includes working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees enter into joint venture arrangements or dispose of mineral properties.

The Company's investment policy is to hold cash in interest bearing, Schedule 1 bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the six months ended June 30, 2019.

15 Subsequent Events:

On July 28, 2020, the Company announced that it had entered an agreement with Mackie Research Capital Corporation, as lead agent in connection with a best efforts, private placement of units of the Company (the "Units") at a price of $0.40 per Unit (the "Offering Price") for gross proceeds of up to $5 million, which was increased the same day to $7 million (the "Offering"). Each Unit will be comprised of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable to acquire one Common Share (a "Warrant Share") at a price of $0.55 per Warrant Share for a period of 24 months from the closing of the Offering. The Offering is expected to close on or before August 25, 2020.

In connection with the Offering, the agents will receive an aggregate cash fee equal to 6.0% of the gross proceeds from the Offering. In addition, the Company will grant the agents, on date of closing, non-transferable compensation options (the "Compensation Options") equal to 6.0% of the total number of Units sold under the Offering (including in respect of any exercise of the Agents' Option). Each Compensation Option will entitle the holder thereof to purchase one Unit (a "Compensation Option Unit") at an exercise price per Compensation Option Unit equal to the Offering Price for a period of 24 months following the Closing.

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.