



**SABLE RESOURCES LTD.**

**Condensed Interim Consolidated Financial Statements  
As at and for the three months ended March 31, 2020 and 2019**

## **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 financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated 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 the entity's auditor.

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

|                                      | Note  |    | March 31<br>2020 |    | December 31<br>2019 |
|--------------------------------------|-------|----|------------------|----|---------------------|
| <b>Assets</b>                        |       |    |                  |    |                     |
| Current Assets                       |       |    |                  |    |                     |
| Cash and cash equivalents            | 5     | \$ | 3,281,653        | \$ | 4,780,176           |
| Marketable securities                | 4     |    | 19,962           |    | 20,586              |
| Receivables                          | 6,17  |    | 80,462           |    | 66,115              |
| Prepaid expenses and deposits        | 7     |    | 185,579          |    | 152,372             |
|                                      |       |    | <b>3,567,656</b> |    | 5,019,249           |
| Property and equipment               | 8     |    | 161,142          |    | 168,357             |
| Mineral property interests           | 9     |    | 5,685,143        |    | 5,155,035           |
|                                      |       | \$ | <b>9,413,941</b> | \$ | 10,342,641          |
| <b>Liabilities</b>                   |       |    |                  |    |                     |
| Current Liabilities                  |       |    |                  |    |                     |
| Payables and accruals                | 10,17 | \$ | 551,115          | \$ | 701,812             |
| Current portion of lease liability   | 11    |    | 26,046           |    | 25,825              |
|                                      |       |    | <b>577,161</b>   |    | 727,637             |
| Lease liability                      | 11    |    | 137,913          |    | 144,520             |
| Due to related party                 | 12    |    | 846,566          |    | 846,566             |
|                                      |       |    | <b>1,561,640</b> |    | 1,718,723           |
| <b>Shareholders' equity</b>          |       |    |                  |    |                     |
| Issued capital                       | 13    |    | 36,552,562       |    | 36,552,562          |
| Accumulated other comprehensive loss |       |    | 289,078          |    | (206,134)           |
| Contributed surplus                  | 13    |    | 3,461,024        |    | 3,391,324           |
| Deficit                              |       |    | (32,450,363)     |    | (31,113,834)        |
|                                      |       |    | <b>7,852,301</b> |    | 8,623,918           |
|                                      |       | \$ | <b>9,413,941</b> | \$ | 10,342,641          |

Nature of operations and going concern (Note 1)

Subsequent events (Note 23)

**APPROVED ON BEHALF OF THE BOARD:**

*Signed: "Thomas Obradovich"*

Thomas Obradovich  
Director

*Signed: "Andres Tinajero"*

Andres Tinajero  
Director

The accompanying notes are an integral part of these consolidated financial statements

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

| For the three month period ended March 31,                             | Note | <b>2020</b> |                    | 2019         |
|------------------------------------------------------------------------|------|-------------|--------------------|--------------|
| <b>Property related expenses</b>                                       |      |             |                    |              |
| Exploration expenditures                                               | 14   | \$          | <b>977,666</b>     | \$ 1,414,852 |
| <b>Other expenses (income)</b>                                         |      |             |                    |              |
| General and administrative expenses                                    | 17   |             | <b>290,419</b>     | 204,701      |
| Share-based expense                                                    | 13   |             | <b>69,700</b>      | 37,350       |
| Gain on settlement of accrued liabilities                              |      |             | -                  | (41,888)     |
| Provision for value-added tax receivable                               | 6    |             | <b>3,339</b>       | -            |
| Interest income                                                        |      |             | <b>(19,942)</b>    | (9,965)      |
| Foreign exchange loss                                                  |      |             | <b>770</b>         | 27,936       |
| <b>Net loss from continuing operations</b>                             |      | <b>\$</b>   | <b>1,321,952</b>   | \$ 1,632,986 |
| Net loss from discontinued operations                                  | 4    |             | <b>14,577</b>      | 72,961       |
| <b>Net loss</b>                                                        |      | <b>\$</b>   | <b>1,336,529</b>   | \$ 1,705,947 |
| <b>Items that may be reclassified subsequently to profit and loss:</b> |      |             |                    |              |
| Change in fair value of marketable securities                          |      |             | <b>624</b>         | -            |
| Foreign currency translation adjustment                                |      |             | <b>(495,836)</b>   | -            |
| <b>Other comprehensive income</b>                                      |      |             | <b>(495,212)</b>   | -            |
| <b>Net comprehensive loss</b>                                          |      | <b>\$</b>   | <b>841,317</b>     | \$ 1,705,947 |
| <b>Loss per share</b>                                                  |      |             |                    |              |
| Basic                                                                  |      | <b>\$</b>   | <b>0.01</b>        | \$ 0.01      |
| Diluted                                                                |      | <b>\$</b>   | <b>0.01</b>        | \$ 0.01      |
| Weighted average number of common shares outstanding                   |      |             | <b>159,998,730</b> | 94,978,555   |

The accompanying notes are an integral part of these consolidated financial statements

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)

|                                        | Note  | Number of shares   | Share Capital        | Accumulated Other Comprehensive Loss | Contributed Surplus | Accumulated Deficit    | Total               |
|----------------------------------------|-------|--------------------|----------------------|--------------------------------------|---------------------|------------------------|---------------------|
| Balance, December 31, 2018             |       | 139,663,564        | \$ 33,589,336        | \$ -                                 | \$ 3,121,574        | \$ (29,623,042)        | \$ 7,087,868        |
| Comprehensive loss                     |       | -                  | -                    | -                                    | -                   | (1,705,947)            | (1,705,947)         |
| Stock-based compensation               | 13,17 | -                  | -                    | -                                    | 37,350              | -                      | 37,350              |
| Balance, March 31, 2019                |       | 139,663,564        | \$ 33,589,336        | \$ -                                 | \$ 3,158,924        | \$ (31,328,989)        | \$ 5,419,271        |
| Net Income                             |       | -                  | -                    | -                                    | -                   | 5,454,238              | 5,454,238           |
| Other comprehensive loss               |       | -                  | -                    | (206,134)                            | -                   | -                      | (206,134)           |
| Shares issued from private placements  | 13    | 21,753,333         | 2,943,000            | -                                    | -                   | -                      | 2,943,000           |
| Shares issued in acquisition of claims | 9,13  | 725,000            | 85,000               | -                                    | -                   | -                      | 85,000              |
| Share issue costs                      | 13    | -                  | (64,774)             | -                                    | -                   | -                      | (64,774)            |
| Shareholder distributions              | 4     | -                  | -                    | -                                    | -                   | (5,239,083)            | (5,239,083)         |
| Stock-based compensation               | 13,17 | -                  | -                    | -                                    | 232,400             | -                      | 232,400             |
| Balance, December 31, 2019             |       | 162,141,897        | \$ 36,552,562        | \$ (206,134)                         | \$ 3,391,324        | \$ (31,113,834)        | \$ 8,623,918        |
| Net loss                               |       | -                  | -                    | -                                    | -                   | (1,336,529)            | (1,336,529)         |
| Other comprehensive loss               |       | -                  | -                    | 495,212                              | -                   | -                      | 495,212             |
| Stock-based compensation               | 13,17 | -                  | -                    | -                                    | 69,700              | -                      | 69,700              |
| <b>Balance, March 31, 2020</b>         |       | <b>162,141,897</b> | <b>\$ 36,552,562</b> | <b>\$ 289,078</b>                    | <b>\$ 3,461,024</b> | <b>\$ (32,450,363)</b> | <b>\$ 7,852,301</b> |

The accompanying notes are an integral part of these consolidated financial statements

**SABLE RESOURCES LTD.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

| For the three month period ended March 31,    | Note  | 2020                | 2019               |
|-----------------------------------------------|-------|---------------------|--------------------|
| <b>Operating Activities</b>                   |       |                     |                    |
| Net loss                                      |       | \$ (1,336,529)      | \$ (1,705,947)     |
| Items not involving cash:                     |       |                     |                    |
| Depreciation                                  |       | 7,215               | 7,278              |
| Stock-based compensation                      | 13,17 | 69,700              | 37,350             |
| Provision for value-add tax receivables       | 6     | 3,339               | -                  |
| Gain on settlement of accrued liabilities     |       | -                   | (41,888)           |
| Interest income                               |       | (19,942)            | (9,965)            |
|                                               |       | <u>(1,276,217)</u>  | <u>(1,713,172)</u> |
| Changes in non-cash working capital           | 21    | (195,497)           | (493,925)          |
| Total cash flows used in operating activities |       | <u>(1,471,714)</u>  | <u>(2,207,097)</u> |
| <b>Financing Activities</b>                   |       |                     |                    |
| Principle payments on lease liability         | 11    | (6,386)             | -                  |
| <b>Investing Activities</b>                   |       |                     |                    |
| Acquisition of mineral claims                 | 9     | (40,365)            | -                  |
| Interest income                               |       | 19,942              | 9,965              |
| Total cash flows used in investing activities |       | <u>(20,423)</u>     | <u>9,965</u>       |
| Decrease in cash and cash equivalents         |       | (1,498,523)         | (2,197,132)        |
| Cash and cash equivalents, beginning of year  |       | 4,780,176           | 2,807,533          |
| Cash and cash equivalents, end of year        |       | \$ <u>3,281,653</u> | \$ <u>610,401</u>  |

The accompanying notes are an integral part of these consolidated financial statements

## **SABLE RESOURCES LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three month period ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

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

Sable Resources Ltd. (the "Company") is incorporated under the Business Corporation Act (British Columbia). The Company is primarily engaged in the acquisition, exploration and development of mineral resource properties in Mexico, Argentina, and Peru. The address of the Company's corporate office and principal place of business is Suite 900, 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2.

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as mineral property interests is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and future profitable production or proceeds from the disposition of its properties.

While the Company's consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. For the three month period ended March 31, 2020, the Company reported a net comprehensive loss of \$841,347 and, as of that date, had an accumulated deficit of \$32,450,363.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the ability of the Company to continue to obtain debt or equity financing in the short term, the continued support of related parties, and ultimately, on locating economically recoverable ore reserves in its mineral properties. Management believes the Company will be successful at securing additional funding, however, there is no assurance that such plans will be successful.

If the Company is unable to obtain adequate additional financing and the continued support of related parties, the Company will be required to curtail exploration activities. Furthermore, failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

During the period ended March 31, 2020, the coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organization ("WHO"). The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and capital markets are not known at this time.

These consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on June 1, 2020.

#### **2. BASIS OF PRESENTATION**

##### **a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements represent the Company's presentation of its results and financial position under IFRS. These accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all presented unless otherwise noted.

##### **b) Basis of Measurement**

These consolidated financial statements were prepared on an accrual basis, are based on historical costs except for financial instruments measured at fair value and are presented in Canadian dollars, which is the functional currency of the Company's Canadian entities. The functional currency of the Company's foreign subsidiaries is US dollars.

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three month period ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

**2. BASIS OF PRESENTATION (continued)**

## c) Subsidiaries

Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases.

The entities of the Company are as follows:

| Name                                         | Location | Ownership | Status       | Functional Currency |
|----------------------------------------------|----------|-----------|--------------|---------------------|
| Sable Resources Ltd.                         | Canada   | Parent    | Consolidated | \$CAD               |
| Exploraciones Sable, S.de R.L. de C.V.       | Mexico   | 100%      | Consolidated | \$USD               |
| Exploraciones Tres Cordilleras, S.A. de C.V. | Mexico   | 100%      | Consolidated | \$USD               |
| Exploraciones Calalinas, S.A. de C.V.        | Mexico   | 100%      | Consolidated | \$USD               |
| Exploraciones Vientos de Sur, S.A. de C.V.   | Mexico   | 100%      | Consolidated | \$USD               |

## d) Foreign currency translation

**Functional and presentation currency**

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The presentation currency is stated in Canadian dollars.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss.

Statements of comprehensive loss and cash flows for entities whose functional currency is different to the presentation currency are translated into the Company's presentation currency at average exchange rates for the year while their statements of financial position are translated at the year-end exchange rates. Exchange differences arising from the translation are recorded as a component of other comprehensive income (loss). On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognized in net income (loss) as part of the gain or loss on sale.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## a) Accounting policies

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019 which includes information necessary for useful to understanding the Company's business and financial statement presentation. Foremost, the Company's significant accounting policies are presented as Note 3 in the audited financial statements for the year ended December 31, 2019 and have been consistently applied in the preparation of these unaudited condensed interim financial statements.



## **SABLE RESOURCES LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three month period ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### b) New Accounting Standards Issued and Effective

##### **IAS 1 & 8, Definition of Material**

The amendment clarifies the definition of material to make it easier to understand and provides guidance on how the definition should be applied. The change in the definition now ensures that the definition is consistent across all IFRS standards and the Conceptual Framework.

- Old definition (IAS 1): Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements;
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been removed.

IAS 1 & 8 was effective for annual periods beginning on or after January 1, 2020. The adoption of IAS 1 & 8 amendments did not have a material impact on the condensed interim consolidated financial statements.

##### **IFRS 3, Business Combinations**

Amendment to IFRS 3 clarifies whether entities acquire a business or a group of assets. The amendments:

- confirm that a business must include inputs and a process, and clarified that:
  - the process must be substantive; and
  - the inputs and process must together significantly contribute to creating outputs.
- narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

IFRS 3 was effective for annual periods beginning on or after January 1, 2020. The adoption of IFRS 3 amendment did not have a material impact on the consolidated financial statements.

#### **4. SALE OF OPERATING SEGMENT AND DISCONTINUED OPERATIONS**

On April 22, 2019, the Company announced that it had completed a sale of all of the Company's mineral resource properties and certain assets in British Columbia to Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) ("Talisker"). The British Columbia properties consist of the Baker-Shasta Project and underlying infrastructure, the Mets Mining Lease, the Tulox Project, the Bot Project, the WCGG Properties and the Spences Bridge Regional Program (the "BC Properties" or "exploration properties").

The Company received total compensation of \$500,000 in cash, 30,000,000 Talisker common shares, and a 1% net smelter return royalty over all of the properties. The Company also agreed to indemnify Talisker for any future reclamation costs incurred on the Baker Shasta property greater than \$311,266 (Note 12). The gain on sale of the BC Properties to Talisker was calculated as follows:

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three month period ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

**4. SALE OF OPERATING SEGMENT AND DISCONTINUED OPERATIONS (continued)**

|                                                |                     |
|------------------------------------------------|---------------------|
| Consideration received:                        |                     |
| Fair value of common shares                    | \$ 4,500,000        |
| Cash consideration                             | 500,000             |
| <b>Total consideration received</b>            | <b>\$ 5,000,000</b> |
| Reclamation deposit                            | 143,804             |
| Equipment                                      | 72,779              |
| Accumulated amortization                       | (25,473)            |
| Mineral property interests                     | 847,045             |
| Asset retirement obligation                    | 530,300             |
| Net assets sold                                | 1,568,455           |
| <b>Gain on sale of mineral properties, net</b> | <b>\$ 3,431,545</b> |

On June 26, 2019, at the Company's Annual and Special Meeting of Shareholders, a special resolution was passed approving the distribution of 29,937,618 common shares of Talisker to the shareholders of the Company ("return of capital"). At this date, the Company recognized a distribution payable at the fair value of the common shares to be distributed, at \$0.145 per common share, for a total value of \$4,340,955.

On August 23, 2019, the Company completed the distribution of 29,937,618 common shares of Talisker at a fair value of \$5,239,083.15 to its shareholders as a distribution, at \$0.175 per common share.

As at March 31, 2020, the Company held 62,382 (December 31, 2019 – 62,382) Talisker common shares with a fair value of \$19,962 (December 31, 2019 - \$20,586).

Prior to the transaction closing, the Company classified all expenses from the BC Properties incurred from the date of the transaction announcement as loss from discontinued operations. Loss from discontinued operations for the period from the BC Properties:

|                                          | <b>March 31,<br/>2020</b> | March 31,<br>2019 |
|------------------------------------------|---------------------------|-------------------|
| Exploration expenditures                 | \$ -                      | \$ 56,436         |
| Property maintenance                     | <b>14,577</b>             | 16,525            |
| <b>Loss from discontinued operations</b> | <b>\$ 14,577</b>          | <b>\$ 72,961</b>  |

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on deposit with major Canadian and Mexican banks in general interest-bearing accounts totaling \$3,281,653 (December 31, 2019 - \$4,780,176).

Cash and cash equivalents include a \$40,000 (December 31, 2019 - \$40,000) one-year cashable guaranteed investment certificate (GIC) held with the Royal Bank of Canada with an interest rate of 0.5% and maturing on June 25, 2020.

**6. RECEIVABLES**

|                                     | <b>March 31,<br/>2020</b> | December 31,<br>2019 |
|-------------------------------------|---------------------------|----------------------|
| Trade receivables                   | \$ 30,404                 | \$ 37,524            |
| Goods and services tax              | <b>50,058</b>             | 28,591               |
| Value added tax                     | <b>297,540</b>            | 294,201              |
| Other                               | -                         | -                    |
| Less: Provision for value-added tax | <b>(297,540)</b>          | (294,201)            |
|                                     | <b>\$ 80,462</b>          | <b>\$ 66,115</b>     |

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three month period ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

**6. RECEIVABLES (continued)**

The valued added tax receivables (“VAT”) consist of \$297,540 (December 31, 2019 - \$294,201) of “Impuesto al Valor Agregado” (“IVA”) due from the Mexican tax authorities, generated on expenditures related to the exploration of projects located in Mexico by the Company’s Mexican subsidiary. The Company assesses the recoverability of the amount’s receivable at each reporting date. The Company can recover the VAT receivables from the Mexican government if the projects are entered into production.

As at March 31, 2020, the Company has recorded a provision for the entire Mexico value added tax receivable upon consideration of the Company’s history of collection and the uncertainty that the properties in Mexico will enter into production in the future. The provision for value-added tax of \$3,339 has been recognized in the condensed interim consolidated statement of net income loss and comprehensive loss.

**7. PREPAID EXPENSES AND DEPOSITS**

|                     | <b>March 31,<br/>2020</b> | December 31,<br>2019 |
|---------------------|---------------------------|----------------------|
| Prepaid expenses    | \$ 28,859                 | \$ 36,971            |
| Advances to vendors | 156,720                   | 115,401              |
|                     | <b>\$ 185,579</b>         | <b>\$ 152,372</b>    |

**8. PROPERTY AND EQUIPMENT**

| <u>Cost</u>                         | <u>Property &amp;<br/>equipment</u>     |
|-------------------------------------|-----------------------------------------|
| Balance at March 31, 2019           | \$ -                                    |
| Addition, right of use asset        | \$ 187,599                              |
| Balance at December 31, 2019        | \$ 187,599                              |
| Balance at March 31, 2020           | \$ 187,599                              |
| <br><u>Accumulated amortization</u> | <br><u>Property &amp;<br/>equipment</u> |
| Balance at March 31, 2019           | \$ -                                    |
| Amortization                        | 19,242                                  |
| Balance at December 31, 2019        | \$ 19,242                               |
| Amortization                        | 7,215                                   |
| Balance at March 31, 2020           | \$ 26,457                               |
| Net book value at:                  |                                         |
| March 31, 2020                      | \$ 161,142                              |
| December 31, 2019                   | \$ 168,357                              |

As of March 31, 2020, the net book value of the Company’s right of use asset was \$161,142 (December 31, 2019 - \$168,357).

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three month period ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

**9. MINERAL PROPERTY INTERESTS**

|                                  | British Columbia | Mexico              | Argentina         | Peru             | Total               |
|----------------------------------|------------------|---------------------|-------------------|------------------|---------------------|
| Balance at December 31, 2018     | \$ 847,045       | \$ 4,430,842        | \$ 128,673        | \$ 13,183        | \$ 5,419,743        |
| Cost of Acquisition              | -                | 700,000             | 77,191            | 75,000           | 852,191             |
| Disposal of Assets (note 4)      | (847,045)        | -                   | -                 | -                | (847,045)           |
| Sale of Royalty (note 20)        | -                | (49,241)            | (2,059)           | (882)            | (52,182)            |
| Currency Translation Adjustment  | -                | (217,672)           | -                 | -                | (217,672)           |
| Balance at December 31, 2019     | -                | 4,863,929           | 203,805           | 87,301           | 5,155,035           |
| Cost of Acquisition              | -                | -                   | 40,365            | -                | 40,365              |
| Currency Translation Adjustment  | -                | 489,743             | -                 | -                | 489,743             |
| <b>Balance at March 31, 2020</b> | <b>\$ -</b>      | <b>\$ 5,353,672</b> | <b>\$ 244,170</b> | <b>\$ 87,301</b> | <b>\$ 5,685,143</b> |

**Mexico**

## a) Margarita Silver Project

On May 30, 2017, the Company optioned the Margarita Silver Project located in Chihuahua State, Mexico in consideration for 200,000 common shares in capital stock of the Company and payment of \$50,000 on closing and subsequent issuances of common shares in the capital stock equal to \$500,000, less the initial 200,000 common shares issued, on the first anniversary, \$1,000,000 worth of common shares in the capital stock in the second anniversary and \$2,000,000 worth of common shares in the capital stock on the third anniversary, in each case calculated based on the closing price of the common shares on the TSX Venture Exchange on the date preceding the anniversary date. The share issuances did not occur due to an amendment to the agreement.

The option agreement entered into on May 30, 2017 was subsequently amended on October 17, 2017, resulting in total initial consideration of \$50,000 due at execution of the agreement and payment of \$30,000 prior to October 23, 2017. The first anniversary payment was amended to either a cash payment or \$470,000 worth of common shares in capital stock of the Company. The first anniversary cash payment was made on May 31, 2018.

The option agreement was subsequently amended on August 27, 2019, resulting in the consideration for the second anniversary payment being modified to \$500,000 and a payment of \$200,000 on the second and a half anniversary date. The second anniversary payment was made on September 13, 2019.

The option agreement was subsequently amended on November 28, 2019, resulting in the consideration for the second and a half anniversary payment being modified to \$200,000 and a payment of \$2,300,000 on the third anniversary date. The second and a half anniversary payment was made on December 4, 2019.

## b) BlueJoint Mineral Applications

On January 29, 2018, the Company acquired five mineral applications in Mexico in connection with the acquisition of BlueJoint. Each mineral application contains exploration targets consistent to the Company's exploration methodology.

**SABLE RESOURCES LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

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**9. MINERAL PROPERTY INTERESTS (continued)**

**Argentina**

a) Don Julio Project

On December 6, 2017 the Company entered into an agreement to acquire up to a 100% interest in the Don Julio Project located in the San Juan Province of Argentina, subject to a 2% net smelter royalty which one half may be purchase by the Company for US\$2,500,000 anytime after 12 months from which commercial production has been declared for any part of the project.

On May 31, 2018, the Company received the environmental impact assessment permit for the Don Julio Project.

To earn the initial 50% interest of the Don Julio Project the Company must:

- Make payment of US\$25,000 upon signing of the letter of intent (\$31,988 or US\$25,000 equivalent paid during the year ended December 31, 2017);
- Issue 200,000 common shares (issued) and make payment of US\$25,000 (\$32,640 or US\$25,000 equivalent was paid during the year ended December 31, 2018);
- Issue 100,000 common shares and make payment of US\$50,000 prior to the one-year anniversary of the receipt of an environmental impact assessment permit (\$67,191 or US\$50,000 equivalent was paid, and 100,000 common shares valued at \$10,000 were issued during year ended December 31, 2019);
- Issue 100,000 common shares and make payment of US\$75,000 prior to the second anniversary of the permit date;
- Issue 200,000 common shares and make payment of US\$100,000 prior to the third anniversary of the permit date; and
- Issue 400,000 common shares and make payment of US\$325,000 prior to the fourth anniversary of the permit date.

To earn additional interest in the project up to 100%, the Company must:

- To earn an additional 10% for 60% ownership in the project; issue 600,000 common shares and make payment of US\$600,000 prior to the fifth anniversary of the permit date;
- To earn an additional 10% for 70% ownership in the project; issue 800,000 common shares, make payment of US\$900,000, and complete an additional US\$1,500,000 of exploration work prior to the sixth anniversary of the permit date; and
- To earn an additional 30% for 100% ownership in the project; issue 1,000,000 common shares, make payment of US\$1,900,000, and complete an additional US\$1,500,000 of exploration work prior to the seventh anniversary of the permit date.

b) El Fierro Project

On February 25, 2020, the Company entered into option agreements to acquire 100% interest in the El Fierro project ("El Fierro") located in the San Juan Province of Argentina. To earn 100% interest in El Fierro, the Company must:

- Make payment of US\$30,000 on the signing of the agreement (\$40,365 or US\$30,000 equivalent paid during period ended March 31, 2020);

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**9. MINERAL PROPERTY INTERESTS (continued)**

- Make payment of US\$70,000 prior to March 1, 2021;
- Make payment of US\$150,000 prior to March 1, 2022;
- Make payment of US\$200,000 prior to March 1, 2023; and
- Make payment of US\$1,720,000 prior to March 1, 2024.

**Peru**

## a) Scorpius Project

On September 15, 2018 the Company entered into an agreement to acquire up to a 100% interest in the Scorpius Project located in central Peru, subject to a 1% net smelter royalty which may be purchased by the Company for US\$1,500,000 any time after 12 months from which commercial production has been declared on any portion of the project. To earn a 100% interest of the project the Company must:

- Make payment of US\$10,000 upon the signing of the letter of intent (\$13,183 or US\$10,000 equivalent paid during the year ended December 31, 2018);
- Make payment of US\$40,000 or issue an equal value of common shares at a fixed exchange rate of CAD\$1.30 for US\$1.00 on the date all necessary permitting to conduct drilling on the project is received;
- Make payment of US\$200,000 or issue an equal value of common shares at a fixed exchange rate of CAD\$1.30 for US\$1.00 on the first anniversary of the permit date;
- Make payment of US\$250,000 or issue an equal value of common shares at a fixed exchange rate of CAD\$1.30 for US\$1.00 on the second anniversary of the permit date; and
- Make payment of US\$500,000 or issue an equal value of common shares at a fixed exchange rate of CAD\$1.30 for US\$1.00 on the third anniversary of the permit date.

## b) Kirio Project

On July 24, 2019 the Company entered into an agreement to acquire 100% interest in the Kirio Project from Teck Peru S.A. ("Teck") located in the Miocene Gold Belt of Central Peru. To earn a 100% interest of the Kirio Project the Company must:

- Complete US\$150,000 of exploration work prior to the October 22, 2020;
- Complete US\$500,000 of cumulative exploration work prior to October 22, 2021;
- Complete US\$1,000,000 of cumulative exploration work prior to October 22, 2022;
- Complete US\$2,000,000 of cumulative exploration work prior to October 22, 2023;
- Complete a minimum of 4,000 meters of drilling and issuing 625,000 common shares; and
- In addition, if the Company does not spend the US\$150,000 in exploration work prior to October 22, 2020, the Company is required to pay to Teck in cash the difference between the US\$150,000 and the actual amount of exploration expenditures incurred.

Teck has the option to earn back to a 65% interest in the project by incurring 2.5 times the Company's expenditures and by making a cash payment to the Company of US\$500,000. If Teck does not exercise this right, they will retain a 2% net smelter royalty on the project.

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**9. MINERAL PROPERTY INTERESTS (continued)**

During the year ended December 31, 2019, the Company issued 625,000 common shares to Teck, valued at \$75,000. As of March 31, 2020, the Company had not incurred any expenditures on the Kirio Project.

**British Columbia**

The Company held a 100% interest in the Baker-Shasta project, Mets Mining Lease, Tulox project, Bot project, WCGG Properties and the Spences Bridge Project. During the year ended December 31, 2019, these properties were disposed. See Note 4.

**10. PAYABLES AND ACCRUALS**

|                    | March 31,<br>2020 | December 31,<br>2019 |
|--------------------|-------------------|----------------------|
| Trade payables     | \$ 380,938        | \$ 433,121           |
| Accruals and other | 170,177           | 268,691              |
|                    | <b>\$ 551,115</b> | <b>\$ 701,812</b>    |

**11. LEASE LIABILITY**

The Company's lease liability relates to its lease for the office premises. The lease comprises only fixed payments over the lease term.

|                                                 | March 31,<br>2020 | December 31,<br>2019 |
|-------------------------------------------------|-------------------|----------------------|
| Opening balance                                 | \$ 170,345        | \$ -                 |
| New obligation under finance lease              | -                 | 187,599              |
| Repayments                                      | (6,386)           | (17,254)             |
| Ending balance                                  | 163,959           | 170,345              |
| Less current portion                            | (26,046)          | (25,825)             |
| Non-current obligation                          | <b>\$ 137,913</b> | <b>\$ 144,520</b>    |
| Gross lease obligation - minimum lease payments |                   |                      |
| 1 year                                          | \$ 30,977         | \$ -                 |
| 2-3 years                                       | 96,977            | -                    |
| 4-5 years                                       | 51,698            | -                    |
| 6+ years                                        | -                 | -                    |
| Future interest expense on lease obligations    | (15,692)          | -                    |
|                                                 | <b>\$ 163,959</b> | <b>\$ -</b>          |

During the three month period ended March 31, 2020, the Company recognized \$1,359 in interest expense on its lease liability. During the three month period ended March 31, 2020, the Company expensed \$173,180 related to leases that are classified as short-term and \$1,909 for leases of low-value assets. The incremental borrowing rate applied to the lease liabilities was 3.24%.

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**12. DUE TO RELATED PARTY**

For the year ended December 31, 2019, the asset retirement obligation of \$316,266 was assumed by Talisker in connection with the sale of Mineral Properties (Note 4). In connection with the sale of the mineral properties, the Company agreed to indemnify Talisker for any future reclamation costs incurred on the Baker Shasta property greater the associated asset retirement obligation than \$311,266. As of March 31, 2020, the estimated reclamation obligation of the Baker Shasta property is \$1,157,832. The difference of \$846,566 has been recorded as the indemnification obligation and this has been included in the calculation of the gain on sale of mineral property interests.

The Company has estimated the indemnification obligation based on management's estimates of costs to reclaim the Baker Shasta property as well as an estimate on the future timing of the costs to be incurred. These costs will be incurred when the associated reclamation work occurs, but this will not occur in the next 12 months.

**13. ISSUED CAPITAL AND CONTRIBUTED SURPLUS**

## a) Issued Capital

**Authorized**

The Company is authorized to issue an unlimited number of common shares.

**Issued and outstanding:**

|                                                    | Number of<br>Shares | \$ Value             |
|----------------------------------------------------|---------------------|----------------------|
| Balance at December 31, 2018                       | 139,663,564         | \$ 33,589,336        |
| Shares issued in private placement                 | 21,753,333          | 2,943,000            |
| Shares issued in acquisition of mineral properties | 725,000             | 85,000               |
| Share issuance costs                               | -                   | (64,774)             |
| Balance at December 31, 2019                       | 162,141,897         | \$ 36,552,562        |
| <b>Balance at March 31, 2020</b>                   | <b>162,141,897</b>  | <b>\$ 36,552,562</b> |

During the year ended December 31, 2019:

- On May 15, 2019, the Company completed a private placement of 5,753,333 units at a price of \$0.15 per unit for gross proceeds of \$863,000. Each unit was comprised of one common share and one half of one common share purchase warrant entitling the holder thereof to purchase a common share at a price of \$0.25 until May 15, 2021.
- On August 29, 2019 the Company entered into an investment agreement with Osisko Gold Royalties Ltd ("Osisko"). Pursuant to that agreement, Osisko subscribed for 16,000,000 units at a price of \$0.13 per unit for gross proceeds of \$2,080,000. Each unit was comprised of one common share and one half of one common share purchase warrant entitling the holder thereof to purchase a common share at a price of \$0.21 until August 29, 2022. As part of the investment agreement, Osisko has an equity participation right to maintain pro-rata ownership interest so long as Osisko owns more than 5% of the outstanding common shares. As of December 31, 2019, Osisko owned more than 5% of the Company's outstanding common shares.



**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three month period ended March 31, 2020 and 2019**

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**13. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)**

- On May 28, 2019, the Company issued 100,000 common shares at a price of \$0.10 per common share, the fair value of the common shares on grant date, for a gross value of \$10,000 in connection with the Don Julio Project.
- On August 13, 2019, the Company issued 625,000 common shares at a price of \$0.12 per common share, the fair value of the common shares on grant date, for a gross value of \$75,000 in connection with the Kirio Project.

## b) Stock options

The Company has a share option plan whereby officers, directors and certain employees and consultants may be granted options to purchase unissued common shares of the Company. The option exercise price is decided by the Board of Directors but may not be less than the discounted market price of the Company's shares as defined in the Rules and Policies of the TSX Venture Exchange. The share option plan permits the granting of options up to a maximum of 10% of outstanding shares of the Company.

|                                     | Number of stock<br>options | Weighted<br>average<br>exercise price |
|-------------------------------------|----------------------------|---------------------------------------|
| Balance at December 31, 2018        | 10,450,000                 | \$ 0.20                               |
| Options issued during the year      | 3,250,000                  | 0.16                                  |
| Options cancelled during the year   | (1,200,000)                | (0.13)                                |
| Balance at December 31, 2019        | 12,500,000                 | \$ 0.19                               |
| Options issued during the period    | 1,700,000                  | 0.10                                  |
| Options cancelled during the period | (1,150,000)                | (0.24)                                |
| <b>Balance at March 31, 2020</b>    | <b>13,050,000</b>          | <b>\$ 0.18</b>                        |

During the three month period ended March 31, 2020:

- On March 11, 2020, the Company granted an aggregate of 1,700,000 options to purchase common shares of the Company exercisable at a price of \$0.10 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the 1,700,000 options was estimated at \$69,700 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 0.44%; volatility 93% and an expected life of five years. Compensation expense was recognized as general and administration expense during the year.

During the year ended December 31, 2019:

- On February 26, 2019, the Company granted an aggregate of 450,000 options to purchase common shares of the Company exercisable at a price of \$0.25 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the 450,000 options was estimated at \$37,350 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 1.77%; volatility 84% and an expected life of five years. Compensation expense was recognized as general and administration expense during the year.

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**13. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)**

- On June 27, 2019, the Company granted an aggregate of 2,800,000 options to purchase common shares of the Company exercisable at a price of \$0.15 per common share for a period of five years to certain directors, officers, and consultants.

The fair value of the of the 2,800,000 options was estimated at \$232,400 using the Black Sholes pricing model with the following assumptions: dividend yield 0%, risk free interest 1.68%; volatility 84% and an expected life of five years. Compensation expense was recognized as general and administration expense during the year.

The Company has the following stock options outstanding and exercisable:

| <u>Expiry date</u>               | <u>Number of<br/>options<br/>outstanding</u> | <u>Number of stock<br/>options vested</u> | <u>Weighted<br/>average Exercise<br/>Price</u> | <u>Weighted<br/>average<br/>number of<br/>years to expiry</u> |
|----------------------------------|----------------------------------------------|-------------------------------------------|------------------------------------------------|---------------------------------------------------------------|
| October 24, 2021                 | 400,000                                      | 400,000                                   | \$ 0.10                                        | 1.57                                                          |
| May 3, 2022                      | 2,800,000                                    | 2,800,000                                 | 0.15                                           | 2.09                                                          |
| November 9, 2022                 | 1,300,000                                    | 1,300,000                                 | 0.17                                           | 2.61                                                          |
| March 31, 2023                   | 2,800,000                                    | 2,800,000                                 | 0.25                                           | 2.99                                                          |
| October 26, 2023                 | 800,000                                      | 800,000                                   | 0.30                                           | 3.57                                                          |
| February 26, 2024                | 450,000                                      | 450,000                                   | 0.25                                           | 3.91                                                          |
| June 27, 2024                    | 2,800,000                                    | 2,800,000                                 | 0.15                                           | 4.24                                                          |
| March 11, 2025                   | 1,700,000                                    | 1,700,000                                 | 0.10                                           | 4.95                                                          |
| <b>Balance at March 31, 2020</b> | <b>13,050,000</b>                            | <b>13,050,000</b>                         | <b>\$ 0.18</b>                                 | <b>2.66</b>                                                   |

## c) Share Purchase Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of share purchase warrants issued and outstanding:

|                                  | <u># of warrants</u> | <u>Weighted<br/>average<br/>exercise price</u> |
|----------------------------------|----------------------|------------------------------------------------|
| Balance at December 31, 2018     | 29,697,165           | \$ 0.28                                        |
| Share warrants issued            | 10,876,667           | 0.22                                           |
| Share warrants expired           | (19,955,215)         | (0.24)                                         |
| Balance at December 31, 2019     | 20,618,617           | \$ 0.28                                        |
| <b>Balance at March 31, 2020</b> | <b>20,618,617</b>    | <b>\$ 0.28</b>                                 |

The Company has the following share purchase warrants outstanding and exercisable:

| <u>Expiry date</u>               | <u>Number of<br/>warrants<br/>outstanding</u> | <u>Weighted<br/>average<br/>exercise price</u> |
|----------------------------------|-----------------------------------------------|------------------------------------------------|
| October 11, 2020                 | 9,141,950                                     | \$ 0.35                                        |
| May 15, 2021                     | 2,876,667                                     | 0.25                                           |
| September 21, 2021               | 600,000                                       | 0.35                                           |
| August 29, 2022                  | 8,000,000                                     | 0.21                                           |
| <b>Balance at March 31, 2020</b> | <b>20,618,617</b>                             | <b>\$ 0.28</b>                                 |

**SABLE RESOURCES LTD.****Notes to the Condensed Interim Consolidated Financial Statements****For the three month period ended March 31, 2020 and 2019**

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**13. ISSUED CAPITAL AND CONTRIBUTED SURPLUS (continued)**

During the year ended December 31, 2019:

- On May 15, 2019, the Company granted 2,876,667 warrants to purchase common shares of the Company exercisable at a price of \$0.25 per common share for a period of two years.
- On August 29, 2019 the Company granted 8,000,000 warrants to purchase common shares of the Company exercisable at a price of \$0.21 per common share for a period of three years.

**14. PROPERTY RELATED EXPENSES**

|                                                                    | March 31,<br>2020 | March 31,<br>2019   |
|--------------------------------------------------------------------|-------------------|---------------------|
| Exploration expenditures                                           |                   |                     |
| Employee compensation                                              | \$ 20,000         | \$ -                |
| Travel                                                             | 129,900           | 102,532             |
| Contractors and consultants (including contract drilling services) | 535,311           | 959,619             |
| Maintenance                                                        | 4,316             | 4,960               |
| Fuels and lubes                                                    | 23,121            | 25,067              |
| Operating supplies                                                 | 43,928            | 29,553              |
| Lease and rentals                                                  | 41,250            | 115,457             |
| Office and general and administrative                              | 100,191           | 82,653              |
| Insurance, bank fees and taxes (non-income)                        | 79,649            | 151,448             |
| Less amounts from discontinued operations (note 4)                 | -                 | (56,436)            |
| <b>Total exploration expenditures</b>                              | <b>\$ 977,666</b> | <b>\$ 1,414,852</b> |
| Property Maintenance                                               |                   |                     |
| Employee related                                                   | \$ -              | \$ 392              |
| Contractors                                                        | 14,577            | 8,500               |
| Office and general and administrative                              | -                 | 355                 |
| Amortization and accretion                                         | -                 | 7,278               |
| Less amounts from discontinued operations (note 4)                 | (14,577)          | (16,525)            |
| <b>Total property maintenance</b>                                  | <b>\$ -</b>       | <b>\$ -</b>         |

**15. FINANCIAL INSTRUMENTS**

Financial assets and liabilities as at March 31, 2020 and December 31, 2019 are as follows:

|                                | Assets at fair<br>value through<br>profit and loss | Amortized<br>cost | Other financial<br>liabilities | Total        |
|--------------------------------|----------------------------------------------------|-------------------|--------------------------------|--------------|
| <b>As at March 31, 2020</b>    |                                                    |                   |                                |              |
| Cash and cash equivalents      | \$ -                                               | \$ 3,281,653      | \$ -                           | \$ 3,281,653 |
| Marketable securities          | 19,962                                             | -                 | -                              | 19,962       |
| Trade receivables              | -                                                  | 30,404            | -                              | 30,404       |
| Payables and accruals          | -                                                  | -                 | 551,115                        | 551,115      |
| <b>As at December 31, 2019</b> |                                                    |                   |                                |              |
| Cash and cash equivalents      | \$ -                                               | \$ 4,780,176      | \$ -                           | \$ 4,780,176 |
| Marketable securities          | 20,586                                             | -                 | -                              | 20,586       |
| Trade receivables              | -                                                  | 37,524            | -                              | 37,524       |
| Payables and accruals          | -                                                  | -                 | 701,812                        | 701,812      |

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**15. FINANCIAL INSTRUMENTS (continued)**

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

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

As at March 31, 2020 and December 31, 2019, cash and cash equivalents were recorded at fair value under level 1 within the fair value hierarchy.

The carrying value of cash and cash equivalents, marketable securities, amounts receivable, and accounts payable and accrued liabilities approximate fair value because of the limited terms of these instruments.

**16. SEGMENTED INFORMATION**

The Company considers itself to operate in a single operating segment, being resource exploration and development. It holds mineral interests in Mexico, Argentina and Peru.

| Period ended March 31, 2020         | Canada       | Mexico       | Argentina  | Peru      | Total         |
|-------------------------------------|--------------|--------------|------------|-----------|---------------|
| Revenues                            | \$ -         | \$ -         | \$ -       | \$ -      | \$ -          |
| Exploration expenditures            | -            | 232,754      | 717,653    | 27,259    | 977,666       |
| General and administrative expenses | 281,212      | 9,207        | -          | -         | 290,419       |
| <b>As at March 31, 2020</b>         |              |              |            |           |               |
| Total assets                        | \$ 4,212,313 | \$ 4,910,522 | \$ 203,805 | \$ 87,301 | \$ 9,413,941  |
| Total liabilities                   | 1,488,568    | 73,072       | -          | -         | 1,561,640     |
| <b>Period ended March 31, 2019</b>  |              |              |            |           |               |
| Revenues                            | \$ -         | \$ -         | \$ -       | \$ -      | \$ -          |
| Exploration expenditures            | -            | 619,333      | 750,017    | 45,502    | 1,414,852     |
| General and administrative expenses | 199,395      | 5,306        | -          | -         | 204,701       |
| <b>As at December 31, 2019</b>      |              |              |            |           |               |
| Total assets                        | \$ 3,311,969 | \$ 6,739,566 | \$ 203,805 | \$ 87,301 | \$ 10,342,641 |
| Total liabilities                   | 1,423,150    | 241,686      | 53,887     | -         | 1,718,723     |

## SABLE RESOURCES LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### 17. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the three month period ended March 31, 2020 and 2019:

- During the three month period ended March 31, 2020, the Company incurred exploration and general and administrative costs in the amount of \$28,052 (March 31, 2019 - \$27,361) paid to a Company with shared directors and officers. Included in payables and accruals at March 31, 2019 are \$9,750 (December 31, 2019 - \$3,781).
- During the three month period ended March 31, 2020, the Company was remunerated for shared exploration and general and administrative costs of \$28,957 (March 31, 2019 - \$nil) by companies with shared directors and officers. Included in receivables at March 31, 2020 are \$36,007 (December 31, 2019 - \$36,007).
- As of March 31, 2020, the Company has a indemnification agreement for a reclamation obligation relating to a disposed mineral property with a company that shares directors and officers. The estimated liability is \$846,566 (December 31, 2019 - \$846,566) (Note 12).

#### *Compensation of key management personnel of the Company*

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the years ended March 31, 2020 and 2019 were as follows:

|                              | March 31,<br>2020 | March 31,<br>2019 |
|------------------------------|-------------------|-------------------|
| Short term employee benefits | \$ 242,334        | \$ 159,000        |
| Share based payments         | 38,950            | 37,350            |
|                              | \$ 281,284        | \$ 196,350        |

As at March 31, 2020, an amount of \$141,483 (December 31, 2019 - \$60,131) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

Transactions with related parties are recorded at fair value.

#### 18. CAPITAL MANAGEMENT

The Company's capital management objectives are to raise the necessary equity financing to fund its exploration projects and mining activities and to manage the equity funds raised to best optimize its exploration and mining programs in the interests of its shareholders and other stakeholders at an acceptable risk.

In management of capital, the Company includes shareholders' equity and cash and cash equivalents in the definition of capital.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may raise additional equity funds and acquire new exploration properties as circumstances dictate.

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**18. CAPITAL MANAGEMENT (continued)**

The Company's capital consists of the following:

|                                                               | <b>March 31,<br/>2020</b> | December 31,<br>2019 |
|---------------------------------------------------------------|---------------------------|----------------------|
| Working capital surplus                                       | \$ 2,990,495              | \$ 4,291,612         |
| Share capital                                                 | 36,552,562                | 36,552,562           |
| Share-based payment reserve (included in contributed surplus) | 2,634,809                 | 2,565,809            |
| Accumulated deficit                                           | <b>(32,450,363)</b>       | (31,113,834)         |
|                                                               | <b>\$ 9,727,503</b>       | \$ 12,296,149        |

**19. FINANCIAL RISK FACTORS**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

**Credit risk**

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to the cash and cash equivalents is minimal.

**Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As at March 31, 2020, the Company had a cash and cash equivalents balance of \$3,281,653 (December 31, 2019 - \$3,281,653) as well as marketable securities of \$19,962 (December 31, 2019 - \$20,586) to settle current liabilities of \$577,161 (December 31, 2019 - \$727,637). Working capital for the Company as at March 31, 2020 was \$2,990,495 (December 31, 2019 - \$4,291,612).

**Market risk****(a) Foreign currency risk**

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar.

Based on the foreign currency balances at March 31, 2020, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net income by approximately \$16,355. This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

**(b) Commodities price risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

## SABLE RESOURCES LTD.

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(Expressed in Canadian Dollars)

## 20. SALE OF NET SMELTER ROYALTY

On September 27, 2019, the Company entered into an agreement with Osisko Gold Royalties Ltd (“Osisko”), pursuant to which Osisko purchased a 1% net smelter return royalty (“Royalty”) on all the Company’s current mineral property interests and any future mineral properties acquired within four years of the closing date. Consideration received was \$5,000,000 in cash.

The Company has allocated the proceeds of the royalty to its mineral property interests based on the sale of 1% of its carrying value at the date of grant. As a result, the Company has decreased the carrying value of mineral properties by \$52,181 and recognized a gain on sale of net smelter royalty of \$4,947,819. The gain on sale of net smelter royalty was calculated as follows:

|                                                      |    |           |
|------------------------------------------------------|----|-----------|
| Consideration received                               | \$ | 5,000,000 |
| Less: 1% of previously capitalized acquisition costs |    | (52,181)  |
|                                                      | \$ | 4,947,819 |

## 21. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items during the three month period ended March 31, 2020 and 2019 are as follows:

|                       | March 31,<br>2020 | March 31,<br>2019 |
|-----------------------|-------------------|-------------------|
| Receivables           | \$ (11,008)       | \$ (54,210)       |
| Prepays and deposits  | (33,792)          | (97,728)          |
| Payables and accruals | (150,697)         | (341,987)         |
|                       | \$ (195,497)      | \$ (493,925)      |

## 22. COMMITMENTS AND CONTINGENCIES

As of March 31, 2020, the Company is committed to spending approximately \$163,959 over the next five years on its Toronto office lease (Note 11).

As of March 31, 2020, the Company has agreed to indemnify Talisker for any reclamation costs incurred relating to the Baker Shasta property above \$311,266, which is estimated to be \$846,566 (Note 12).

As of March 31, 2020, the Company is committed to spending US\$150,000 in exploration work at the Kirio Project. If the Company does not spend the US\$150,000 in exploration work prior to October 22, 2020, the Company is required to pay to Teck in cash the difference between the US\$150,000 and the actual amount of exploration expenditures incurred (Note 9).

Due to the size, complexity and nature of the Company’s operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

## 23. SUBSEQUENT EVENTS

On May 5, 2020, the option agreement for the Margarita Silver project was amended, resulting in the third anniversary option payment date being modified to November 30, 2020.

On May 14, 2020, the Company granted an aggregate of 1,350,000 options to purchase common shares of the Company exercisable at a price of \$0.10 per share for a period of five years to certain officers and consultants.