The accompanying notes form an integral part of these condensed consolidated interim financial statements.
Eclipse Gold Mining Corporation  
(an Exploration Stage Company)  
Condensed Consolidated Interim Statements of Financial Position  
Expressed in Canadian Dollars - Unaudited

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Note</th>
<th>January 31, 2020 (Unaudited) $</th>
<th>October 31, 2019 (Audited) $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>5,551,773</td>
<td>1,210,234</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td>8,787</td>
<td>5,419</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td></td>
<td>59,416</td>
<td>23,309</td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td>5</td>
<td>13,884</td>
<td>-</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td></td>
<td>5,633,860</td>
<td>1,238,962</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and evaluation asset</td>
<td>4</td>
<td>785,446</td>
<td>718,348</td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td>6,419,306</td>
<td>1,957,310</td>
</tr>
</tbody>
</table>

| LIABILITIES |      |                             |                             |
| Current |      | 150,189                      | 310,424                     |
| Escrowed funds from financing | 5 | 5,425,081                     | 230,219                     |
| Total Current Liabilities |      | 5,575,270                     | 540,643                     |

| EQUITY |      |                             |                             |
| Share capital | 5 | 2,465,252                     | 2,465,252                   |
| Deficit |      | (1,621,216)                  | (1,048,585)                 |
| Total Shareholders’ Equity |      | 844,036                       | 1,416,667                   |

| TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY |      | 6,419,306                     | 1,957,310                   |

Nature of Operations and Going Concern (Note 1)  
Subsequent Events (Note 10)

Approved by the Board of Directors on March 12, 2020

“Marcel de Groot”  
Director

“Darryl Cardey”  
Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
# Eclipse Gold Mining Corporation
(an Exploration Stage Company)

## Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

*Expressed in Canadian Dollars (except weighted average number of shares outstanding) - Unaudited*

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Note</th>
<th>Three months ended January 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and evaluation expenditures</td>
<td>4</td>
<td>195,192</td>
</tr>
<tr>
<td>Foreign exchange (gain) loss</td>
<td></td>
<td>5,916</td>
</tr>
<tr>
<td>Interest and bank charges</td>
<td></td>
<td>3,463</td>
</tr>
<tr>
<td>Investor relations and consulting fees</td>
<td></td>
<td>55,764</td>
</tr>
<tr>
<td>Office, insurance and sundry</td>
<td></td>
<td>29,106</td>
</tr>
<tr>
<td>Professional fees</td>
<td></td>
<td>108,001</td>
</tr>
<tr>
<td>Rent</td>
<td></td>
<td>16,037</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>7</td>
<td>107,129</td>
</tr>
<tr>
<td>Transfer agent and filing fees</td>
<td></td>
<td>49,888</td>
</tr>
<tr>
<td>Travel</td>
<td></td>
<td>15,645</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td><em>(586,141)</em></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>13,510</td>
</tr>
<tr>
<td><strong>Loss and comprehensive loss for the period</strong></td>
<td></td>
<td><em>(572,631)</em></td>
</tr>
</tbody>
</table>

**Loss per share**

- Basic and diluted: *(0.02)*

**Weighted average number of common shares outstanding**

| Weighted average number of common shares outstanding |      | 24,718,533 |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
## Condensed Consolidated Interim Statement of Changes in Equity

**Eclipse Gold Mining Corporation**  
(an Exploration Stage Company)  

**Expressed in Canadian Dollars - Unaudited**

<table>
<thead>
<tr>
<th>Note</th>
<th>Share Capital (Number of Shares – fully paid)</th>
<th>Share Capital $</th>
<th>Deficit $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 31, 2019</td>
<td>24,718,533</td>
<td>2,465,252</td>
<td>(1,048,585)</td>
<td>1,416,667</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>-</td>
<td>-</td>
<td>(572,631)</td>
<td>(572,631)</td>
</tr>
<tr>
<td>January 31, 2020</td>
<td>24,718,533</td>
<td>2,465,252</td>
<td>(1,621,216)</td>
<td>(844,036)</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
### Eclipse Gold Mining Corporation
(an Exploration Stage Company)

**Condensed Consolidated Interim Statement of Cash Flows**

*Expressed in Canadian Dollars - Unaudited*

<table>
<thead>
<tr>
<th>Note</th>
<th>Three months ended January 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td><strong>Cash flows provided by (used in)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Loss for the period</td>
<td>(572,631)</td>
</tr>
<tr>
<td>Items not affecting cash:</td>
<td></td>
</tr>
<tr>
<td>Unrealized foreign exchange</td>
<td>4,792</td>
</tr>
<tr>
<td>Interest income</td>
<td>(13,510)</td>
</tr>
<tr>
<td></td>
<td>(581,349)</td>
</tr>
<tr>
<td>Changes in non-cash working capital</td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(3,368)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(36,107)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(160,235)</td>
</tr>
<tr>
<td></td>
<td>(781,059)</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Acquisition of exploration and evaluation assets</td>
<td>4</td>
</tr>
<tr>
<td>Interest income</td>
<td>13,510</td>
</tr>
<tr>
<td></td>
<td>(53,588)</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td>5</td>
</tr>
<tr>
<td>Escrowed funds from financing</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>5,180,978</td>
</tr>
<tr>
<td>Impact of exchange rate changes on cash</td>
<td>(4,792)</td>
</tr>
<tr>
<td><strong>Increase in cash for the period</strong></td>
<td>4,341,539</td>
</tr>
<tr>
<td>Cash – Beginning of period</td>
<td>1,210,234</td>
</tr>
<tr>
<td><strong>Cash – End of period</strong></td>
<td>5,551,773</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
Eclipse Gold Mining Corporation
(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended January 31, 2020

Expressed in Canadian Dollars unless otherwise stated – Unaudited

1. Nature of Operations and Going Concern

Eclipse Gold Mining Corporation. (“Eclipse Gold” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada, on May 3, 2019. The Company’s corporate office, registered address and records office are located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6.

Eclipse Gold is an exploration stage mining company with one wholly-owned direct subsidiary, Alcmene Mining Inc. (a British Columbia-based company) and one indirect wholly-owned subsidiary, Hercules Gold USA, LLC (“Hercules Gold”), a Nevada-based company. The Company, through its subsidiary, Hercules Gold has an option to acquire the Hercules Project situated in Lyon County, Nevada (Note 4).

These condensed consolidated interim financial statements (the “Financial Statements”) have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business. Eclipse Gold is an exploration stage company which incurred a loss of $572,631 for the three months ended January 31, 2020, and as at January 31, 2020 had an accumulated deficit of $1,621,216. The Company is expected to incur operating losses for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Accordingly, the Company will need to obtain financing in the form of debt, equity, or a combination thereof to continue to operate as planned. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. Based on the Subscription Receipt financing which closed subsequent to January 31, 2020 (note 10), the Company estimates it has sufficient funds to operate for the next 12 months. These financial statements do not include adjustments that may be necessary if the going concern principal is not appropriate.

The Company completed an initial public offering (“IPO”) and commenced trading on the TSX-Venture Exchange (“TSXV”) post January 31, 2020 (note 10).

2. Basis of Presentation

Statement of compliance

These Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, using accounting policies consistent 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 Financial Statements do not include all the necessary annual disclosures in accordance with IFRS, and should be read in conjunction with the Company’s audited financial statements for the period ended October 31, 2019.

The accounting policies followed in these Financial Statements are the same as those applied in the Company’s most recent audited financial statements for the period ended October 31, 2019.

Basis of presentation

These Financial Statements have been prepared on a historical cost basis and are presented in Canadian dollars which is the functional currency of each of the Company and its subsidiaries.
Eclipse Gold Mining Corporation  
(An Exploration Stage Company)  
Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended January 31, 2020  
Expressed in Canadian Dollars unless otherwise stated – Unaudited

3. Significant Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments

Judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these Financial Statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as financing activities, expenses and cash flow, retention of operating cash flows, and frequency of transactions within the reporting entity.

Going concern

Significant judgements are made in the Company’s assessment of its ability to continue as a going concern (note 1).

Estimates

Estimates made in applying accounting policies that have the most significant effect on the amounts recognized in these Financial Statements are as follows:

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Reclamation provisions

The Company’s reclamation provision represents management’s best estimate of the present value of the future cash outflows required to settle the obligation. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future reclamation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.
4. Exploration and Evaluation

Exploration Option Agreement

On August 9, 2019, the Company and the Company’s subsidiary, Hercules Gold entered into an agreement with Great Basin Resources, Inc (“Great Basin”) and Iconic Minerals Ltd. (“Iconic”), for an option to obtain 100% interest in the Hercules Project, comprising certain unpatented mining claims located in Lyon County, Nevada (the “Hercules Project”) (the “Agreement”). The option agreement has a maximum term of 12 years from the date the Company’s common shares become listed on a public stock exchange (the “Listing Date”).

In consideration for the option, Hercules Gold and the Company, together are required to:

- pay US$50,000 to Great Basin and $325,000 to Iconic upon inception of the Agreement (paid);
- pay US$50,000 to Great Basin on each anniversary of the Listing Date (a maximum of US$600,000);
- issue to Iconic an aggregate of 4,000,000 common shares of Eclipse Gold; 1,000,000 on the Listing Date, and 1,000,000 on each of the first, second and third anniversaries of the Listing Date (note 10).

Hercules Gold is also required to pay all mining claim maintenance fees with respect to the Hercules Project and incur exploration expenditures as follows:

- $100,000 for the preparation of an NI 43-101 report with respect to the Hercules Project;
- US$550,000 by the first anniversary of the Listing Date;
- An additional US$750,000 by the second anniversary of the Listing Date; and
- An additional US$1,000,000 by the third anniversary of the Listing Date.

The property is subject to a 3% net smelter royalty (“NSR”), payable to Great Basin. The Company may repurchase 50% of the NSR for US$2,000,000 at any point prior to 90 days post commercial production.

On January 6, 2020, the Company’s wholly-owned subsidiary, Hercules Gold entered into an agreement with Joseph Sawyer, Sr. to acquire additional claims that are contiguous to the Hercules Project in consideration for US$64,000, of which US$40,000 was paid on January 6, 2020 and US$24,000 is due within a year of entering into the agreement. In addition, the Company granted Joseph Sawyer, Sr a 2% NSR royalty with certain buy down rights.

Exploration and Evaluation Asset

The Company acquired additional claims after signing the Agreement, by staking ground contiguous to the Hercules Project; in accordance with the Company’s accounting policy, such initial acquisition costs have been capitalised as part of the Exploration and Evaluation Asset. A reconciliation of the Company’s Exploration and Evaluation asset is as follows:
Eclipse Gold Mining Corporation  
(An Exploration Stage Company)  
Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended January 31, 2020  
Expressed in Canadian Dollars unless otherwise stated – Unaudited

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Balance at May 3, 2019</td>
<td>-</td>
</tr>
<tr>
<td>Payment to Great Basin (US$50,000)</td>
<td>67,335</td>
</tr>
<tr>
<td>Payment to Iconic</td>
<td>325,000</td>
</tr>
<tr>
<td>Claim staking</td>
<td>326,013</td>
</tr>
<tr>
<td><strong>Balance at October 31, 2019</strong></td>
<td>718,348</td>
</tr>
<tr>
<td>Acquisition of additional claims</td>
<td>51,880</td>
</tr>
<tr>
<td>Claim staking</td>
<td>15,218</td>
</tr>
<tr>
<td><strong>Balance at January 31, 2020</strong></td>
<td>785,446</td>
</tr>
</tbody>
</table>

Exploration and Evaluation Expenditures

The breakdown of exploration expenses incurred is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Three months ended January 31, 2020</td>
<td></td>
</tr>
<tr>
<td>Exploration expenditures</td>
<td></td>
</tr>
<tr>
<td>Consulting</td>
<td>107,145</td>
</tr>
<tr>
<td>Mapping and sampling</td>
<td>42,138</td>
</tr>
<tr>
<td>Surveys</td>
<td>4,253</td>
</tr>
<tr>
<td>Technical reports</td>
<td>1,703</td>
</tr>
<tr>
<td>Travel</td>
<td>39,956</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>195,192</td>
</tr>
</tbody>
</table>

5. Share Capital

The Company’s authorized share capital consists of unlimited number common shares without par value and without special rights and restrictions attached.

Share transactions during 2019:

On May 3, 2019, the Company issued 200 founders shares at an issue price of $0.01 for gross aggregate proceeds of $2.

On August 1, 2019, the Company completed a private placement issuing 4,500,000 common shares at an issue price of $0.01 per common share for gross aggregate proceeds of $45,000.

On August 12, 2019, the Company completed a private placement issuing 8,625,000 common shares at an issue price of $0.05 per common share for gross aggregate proceeds of $431,250.

On September 19, 2019, the Company completed another private placement issuing 9,093,333 common shares at an issue price of $0.15 per common share for gross aggregate proceeds of $1,364,000.

On October 11, 2019, the Company completed another private placement issuing 2,500,000 common shares at an issue price of $0.25 per common share for gross aggregate proceeds of $625,000.
Share transactions during 2020:

On November 19, 2019, the Company completed a private placement of subscription receipts (the “Subscription Receipt Financing”) at a price of $0.35 per subscription receipt for aggregate gross proceeds of $5,425,081 (the “Escrowed Funds”) and issued 15,500,232 subscription receipts (the “Subscription Receipts”). Each Subscription Receipt entitles the holder thereof to receive, without payment of any further consideration, one common share of the Company upon completion of the Company’s IPO (note 10). Commission to be paid to finders relating to this financing is $708 in cash and 372,343 in common shares of the Company (note 10). The Company incurred $13,884 in deferred financing costs in relation to the subscription receipts; these were recorded during the three months ended January 31, 2020 as deferred financing costs.

The Escrowed Funds were deposited into an interest-bearing escrow account held by the Company, releasable to the Company upon the satisfaction of certain escrow release conditions, including the Company obtaining the receipt for the final prospectus in conjunction with the Company’s proposed IPO. As at January 31, 2020, the escrow funds of $5,425,081 were considered contingently returnable, and as such were recorded as a liability in these Financial Statements (October 31, 2019 - $230,219).

On February 7, 2020, the Company received approval from the TSXV of the IPO and commenced trading on February 18, 2020 (Note 10).

As at January 31, 2020, all of the Company’s common shares (a total of 24,718,533) were held in escrow. Such shares are to be released based on a predetermined schedule from as early as the Listing Date to a maximum of 36 months after the Listing Date.

6. Segmented Information

The Company’s business consists of only one reportable segment being exploration and evaluation mineral properties located in the United States.

7. Related Party Transactions

The Company’s related parties are considered to be the Directors and Officers of the Company (Michael G Allen, Darryl Cardey, Marcel de Groot, Jeff Sundar, Douglas Hurst, Hayley DeWitt, Victoria McMillan and Shayla Forster) and their close family members and any companies controlled by these individuals.

During the three months ended January 31, 2020, certain Directors and Officers took part in the Subscription Receipt Financing for a total of 1,867,214 Subscription Receipts. During the three months ended January 31, 2020, the Company did not enter into any further transactions with related parties, not disclosed elsewhere in these Financial Statements.

Compensation of key management personnel:

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Eclipse Gold considers its Board of Directors, CEO and CFO to be key management personnel.
During the three months ended January 31, 2020, the Company’s compensation cost for key management personnel amounted to $103,140 included in salaries and wages on the Condensed Consolidated Interim Statement of Loss and Comprehensive Loss.

8. Financial Instruments

The Company’s financial instruments are categorized as follows:

Categories of Financial Instruments

<table>
<thead>
<tr>
<th>Categories of Financial Instruments</th>
<th>January 31 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
</tr>
<tr>
<td>Amortized cost</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>5,551,773</td>
</tr>
<tr>
<td>Receivables</td>
<td>8,787</td>
</tr>
<tr>
<td></td>
<td>5,560,560</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
</tr>
<tr>
<td>Amortized cost</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>150,189</td>
</tr>
<tr>
<td>Escrowed funds from financing</td>
<td>5,425,081</td>
</tr>
<tr>
<td></td>
<td>5,575,270</td>
</tr>
</tbody>
</table>

The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

Fair Value of Financial Instruments

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

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

Cash is measured using Level 1 of the fair value hierarchy.

Financial Risks

The Company’s financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below:
Eclipse Gold Mining Corporation  
(An Exploration Stage Company)  
Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended January 31, 2020  
Expressed in Canadian Dollars unless otherwise stated – Unaudited

i.  **Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to those of the Company’s net assets denominated in US dollars.

As at January 31, 2020, with other variables unchanged, a +/- 10% change in US dollars exchange rate would decrease/increase the comprehensive loss by $2,880. The Company does not hedge its risk from changes in foreign currency exchange rates.

ii.  **Credit Risk**

Credit risk is a risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. The Company’s cash balance is held with large, credit-worthy financial institutions and as such the risk of loss is considered to be low. Receivables consist of general sales tax due from the Federal Government of Canada and as a result, the risk of default is considered to be low.

iii.  **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its budget, forecasts and expenditures accordingly. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at January 31, 2020, the Company had a cash balance of $5,551,773 to settle current liabilities of $5,575,270, of which $5,425,081 was converted into equity subsequent to January 31, 2020 (Note 10).

The only commitments and contractual obligations of the Company pertain to those in the Agreement, which are detailed in note 4.

iv.  **Market Price Risk**

The Company’s ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations, amongst other things, in the market price of commodities, global financial markets and investor sentiment. The Company closely monitors commodity prices and financial markets to determine the appropriate course of action to be taken by the Company.

9.  **Capital Management**

In the management of capital, the Company includes the components of shareholders’ equity. The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral projects for the benefit of its stakeholders. As the Company is in the exploration stage, it has no income from operations, and its principal source of funds is from the issuance of its common shares.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, or dispose of assets.

The Company’s investment practice is to invest its excess cash in highly liquid short-term interest-bearing investments selected with regards to expected timing of its expenditures. The Company is not subject to any externally imposed capital requirements.
10. Subsequent Events

a) On February 6, 2020, the Company filed a final prospectus with the British Columbia Securities Commission (“BCSC”) qualifying the distribution of the common shares in the capital of the Company issuable for no additional consideration upon deemed exercise of the 15,500,232 Subscription Receipts of the Company issued on November 19, 2019 (Note 5), and received a receipt for the filing. The Company issued 372,343 common shares of the Company to finders relating to Subscription Receipt financing and also paid $708 in cash to finders. Total share issuance costs of $13,884 were incurred in relation to the Subscription Receipt Financing, which were recorded as a reduction to share capital.

On February 7, 2020, the TSXV confirmed that Eclipse had met all requirements for listing on the TSXV, subject to the conversion of the Subscription Receipts. On February 10, 2020, the Subscription Receipts were converted into common shares of the Company and the funds held in escrow in connection with the issuance of the Subscription Receipts in the amount of $5,425,081 were released to the Company.

On February 18, 2020, the Company’s common shares commenced trading on the TSXV under the ticker symbol “EGLD”. On February 28, 2020, the Company issued 1,000,000 common shares to Iconic in accordance with the Agreement (note 4).

b) On February 18, 2020, the Company issued 3,150,000 stock options to officers, directors, employees and consultants of the Company with an exercise price of $0.35 exercisable until February 18, 2023.

All stock options issued vest as follows:

- 25% - 6 months from the grant date;
- 25% - 12 months from the grant date;
- 25% - 18 months from the grant date;
- 25% - 24 months from the grant date.

c) On February 3 & 18, 2020, the Company issued a total of 775,000 RSUs to officers and employees of the Company. All RSUs issued vest as follows:

- 1/3 - February 18, 2021;
- 1/3 - February 18, 2022;
- 1/3 - February 18, 2023.

d) On February 25, 2020, the Company’s wholly-owned subsidiary, Hercules Gold, entered into an agreement with Comstock Exploration and Development LLC, to acquire certain mineral claims for a sum of US$100,000 and a 2% net smelter returns royalty with certain buy down rights.
ECLIPSE GOLD MINING CORPORATION

MANAGEMENT’S DISCUSSION AND ANALYSIS

First quarter ended January 31, 2020
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2. Description of Business  
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17. Cautionary Note Regarding Forward Looking Information and Statements
1. Introduction

This Management’s Discussion and Analysis (“MD&A”) of Eclipse Gold Mining Corporation Ltd. (“Eclipse” or the “Company”) including its wholly-owned subsidiary, Alcmene Mining Inc. (“Alcmene”), and indirect wholly-owned subsidiary Hercules Gold USA, LLC (“Hercules”), is the responsibility of management and covers the three months ended January 31, 2020. Eclipse was incorporated on May 3, 2019 and as such there is no data for the Company prior to that date. This MD&A is effective as of March 12, 2020 and should be read together with the condensed consolidated interim financial statements for the three months ended January 31, 2020 and the related notes thereon (collectively “the Financial Statements”). The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The functional currency of the Company and both of its subsidiaries is the Canadian dollar. All dollar amounts expressed throughout this report are in Canadian dollars, unless otherwise indicated.

This MD&A contains forward-looking statements that are subject to risk factors as set out in the “Cautionary Note Regarding Forward Looking Information and Statements”.

2. Description of Business and Initial Public Offering

The Company is a TSX-Venture Exchange (“TSXV”) listed Canadian mineral resource exploration-stage company principally engaged in acquiring and exploring mineral resource properties. Its objective is to locate and develop precious metals, focusing initially on the exploration and development of the Hercules Project, located in Nevada, U.S.A. The Company holds an option to acquire a 100% interest in the Hercules Project subject to a 3% net smelters return (“NSR”) royalty, by making payments, issuing shares and incurring exploration expenditures in accordance with the terms of an option agreement (the “Agreement” as described below). Please refer to “Exploration Project” below for further details on the Hercules Project.

On an ongoing basis, management of the Company will continue to evaluate other exploration projects which it believes to have exploration potential in order to add to its existing portfolio. The Company’s strategy is to create value for its shareholders through successful exploration of any exploration projects in its portfolio and by advancing the engineering and other studies that are required to prepare its projects for eventual development by the Company and its partners or by third parties. The Company has a highly experienced management team and board of directors with extensive experience in the exploration and development of mines and with an appropriate mix of geological, engineering, financial, and business skills to advance its projects and to generate value for its shareholders.

On November 19, 2019, the Company completed a private placement of subscription receipts (the “Subscription Receipt Financing”) at a price of $0.35 per subscription receipt for aggregate gross proceeds of $5,425,081 (the “Escrowed Funds”) and issued 15,500,232 subscription receipts (the “Subscription Receipts”).

On February 7, 2020, the TSXV confirmed that Eclipse had met all TSXV requirements for listing on the TSXV, subject to the conversion of the Subscription Receipts. On February 10, 2020, the Subscription Receipts were converted into common shares of the Company and the funds held in escrow in connection with the issuance of the Subscription Receipts in the amount of $5,425,081 were released to the Company.
On February 18, 2020, the Company’s common shares commenced trading on the TSXV under the ticker symbol “EGLD”. On February 28, 2020, the Company issued 1,000,000 common shares to Iconic in accordance with the Agreement.

3. Q1 2020 Highlights

- On November 19, 2019, the Company completed a private placement issuing 15,500,232 Subscription Receipts at $0.35 per share for gross proceeds of $5,425,081 (net proceeds of $5,410,489 after $708 cash finders fees and $13,884 in legal fees) (see “Liquidity and capital resources” below);
- The Company acquired an additional 4 claims contiguous to the Hercules Project for US$64,000 to be paid over 12 months;

4. Outlook and Future Exploration Plans

Up to the date of this MD&A, Eclipse has raised $7,890,333 through the issuance of common shares of the Company (see “Liquidity and capital resources” below). Of these total funds, $5,425,081 was released to the Company on February 10, 2020 once the escrow release conditions attached to the funds had been met (see “2. Description of Business and Initial Public Offering”). Prior to this, the funds available to the Company had been used to make payments under the Agreement and for claim staking and claims fees, as well as to commence exploration activities at the Hercules Project, in addition, the Company incurred legal, filing and other fees in connection with the IPO. Exploration activities to date of this MD&A include the commission and completion of a NI 43-101 technical report on the property (see “Exploration project” below), detailed mapping and sampling of the project, as well as the collection of detailed hyperspectral satellite imagery (see 6. “Results of Operations”).

The total net funds raised from the financing in November 2019 through the issuance of the Subscription Receipts, are to be used as described in the tables below; notably, the Company intends to continue its exploration program at the Hercules Project including a drill program to be initiated as early as March 2020, depending on the weather conditions at the Hercules Project. The Company has signed a drilling contract with Boart Longyear to complete the company’s Phase I drilling program, the costs of which are expected to be in line with the use of funds table directly below.

<table>
<thead>
<tr>
<th>Use of funds available after completion of distribution</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated cost for Exploration and Development of the Hercules Project under the work program recommended in the Company’s Technical Report</td>
<td>$986,842&lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Year 1 Payments to Great Basin Resources, Inc. pursuant to the Agreement</td>
<td>$65,790&lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Investor Relations&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>$500,000</td>
</tr>
<tr>
<td>Claims fees and other administrative fees of holding the Hercules Project and other staked land</td>
<td>$400,000</td>
</tr>
<tr>
<td>General and Administrative Expenses&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>Unallocated General Working Capital</td>
<td>$2,081,741</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,334,373</strong></td>
</tr>
</tbody>
</table>

Notes:

1. General and administrative expenses in the year after Listing include $1,180,000 in salaries and management consulting fees, $35,000 in rent, $40,000 in legal fees, $25,000 in audit fees, and $20,000 in insurance.

2. The Technical Report recommends a work program of US$750,000 and this amount has been converted to Canadian dollars based on an exchange rate of 1 CAD = 0.76 USD.
(3) The Investor Relations program includes marketing, social media management, conference attendance fees, road shows and investor relations site visits.

Note that there may be circumstances, where for business reasons, a reallocation of funds may be necessary for the Company to achieve its stated business objectives.

As the Company has no source of revenue at this time, it will continue to require additional capital to fund future expenditures necessary to advance the Hercules Project towards development, as well as to fund head office expenses including the costs of management and administration of the Company.

5. Exploration Project

On August 9, 2019, the Company and the Company’s subsidiary, Hercules entered into an agreement with Great Basin Resources, Inc (“Great Basin”) and Iconic Minerals Ltd. (“Iconic”), for an option to obtain 100% interest in the Hercules Project, subject to a 3% NSR royalty, comprising certain mining claims located in Lyon County, Nevada (the “Agreement”). The Agreement has a maximum term of 12 years from the date the Company’s common shares become listed on a public stock exchange (the “Listing Date”).

In consideration for the option, Hercules and the Company together are required to:

- pay US$50,000 to Great Basin and $325,000 to Iconic upon inception of the Agreement (paid);
- pay US$50,000 to Great Basin on each anniversary of the Listing Date (a maximum of US$600,000);
- issue to Iconic an aggregate of 4,000,000 common shares of Eclipse Gold; 1,000,000 on the Listing Date, and 1,000,000 on each of the first, second and third anniversaries of the Listing Date (the first 1,000,000 was issued on February 28, 2020).

Hercules is also required to pay all mining claim maintenance fees with respect to the Hercules Project and incur exploration expenditures as follows:

- $100,000 for the preparation of an NI 43-101 report with respect to the Hercules Project;
- US$550,000 by the first anniversary of the Listing Date;
- An additional US$750,000 by the second anniversary of the Listing Date; and
- An additional US$1,000,000 by the third anniversary of the Listing Date.

The property is subject to a 3% net smelter royalty (“NSR”), payable to Great Basin. The Company may repurchase 50% of the NSR for US$2,000,000 at any point prior to 90 days post commercial production.

The Company commissioned Mine Development Associates to prepare an NI 43-101 technical report (“the “Technical Report”) on the Hercules Project. The Technical Report was prepared with an effective date of September, 1, 2019 and was amended on January 20, 2020; the amended report was filed on February 6, 2020 and can be found under the Company’s profile at www.sedar.com.

The Technical Report was been prepared under the supervision of Michael M. Gustin, C.P.G. and Michael S. Lindholm, C.P.G, both Senior Geologists with Mine Development Associates, in accordance with the disclosure and reporting requirements set forth in the NI 43-101, Companion Policy 43-101CP, and Form 43-101F1, as amended. Mr. Gustin and Mr. Lindholm are Qualified Persons under NI 43-101 and have no affiliation with Eclipse except that of independent consultant/client relationships. Mr. Gustin visited the project site on July 19, 2019, and Mr. Lindholm visited the project on September 9, 2019.

After the effective date of the Technical Report, the Company acquired 971 additional claims contiguous to the Hercules Project by staking. Such additional claims cover approximately 70 square kms in northwestern Nevada.
The staking was done to cover off observed alteration extending off the original ground and to provide additional locations for potential infrastructure in a mining operation.

On January 6, 2020, the Company’s wholly-owned subsidiary, Hercules Gold entered into an agreement with Joseph Sawyer, Sr. to acquire additional claims that are contiguous to the Hercules Project in consideration for US$64,000, of which US$40,000 was paid on January 6, 2020 and US$24,000 is due within a year of entering into the agreement. In addition, the Company granted Joseph Sawyer, Sr a 2% NSR royalty with certain buy down rights.

On February 25, 2020, the Company’s wholly-owned subsidiary, Hercules Gold, entered into an agreement with Comstock Exploration and Development LLC, to acquire 2 patented claims and 5 unpatented claims for a sum of US$100,000 and a 2% net smelter returns royalty with certain buy down rights. These claims cover approximately 0.50 square kilometers.

**Summary information about the Hercules Project**

The Hercules Project is part of the Como mining district, which was worked as early as the late 1850s. The Hercules gold-silver project is located 16 km southeast of the historic mining town of Virginia City (of Comstock Lode fame), approximately 40 kilometers southeast of the city of Reno, in Lyon County, Western Nevada. The Hercules Project consists of 1,096 unpatented lode mining claims in Lyon County, Nevada. In total, the property covers approximately 8,500 hectares (21,000 acres), which are owned or controlled by Eclipse.

The Hercules Project is situated about 6.5 kilometers north-northeast of the central part of the Como mining district, where historical mining focused on underground development of relatively continuous, quartz-filled fissure-vein mineralization. There are multiple subparallel steeply-dipping and northeast-trending mineralized structures on the Hercules property, including veins and vein breccias with associated broad haloes of silicification. Secondary syn-to post-mineralization faults that offset the northeast-trending zones have been interpreted in previous technical reports.

Six mineralized target areas, comprised of relatively higher-grade fissure-veins and associated broad zones of lower-grade silicified andesite volcaniclastic wallrock, have been identified to date. These are known as the Hercules, West Cliffs, Loaves, Lucky Rusty, Rattlesnakes, and Northeast targets. Surface expressions for three of these, West Cliffs, Hercules and Loaves, extend for approximately one kilometer along a northeasterly strike and range between 250 to 350 meters in width. Mineralization extends to at least to the depth of historic drilling, with the deepest hole penetrating to a depth of 264 meters below the surface. The exposed footprints of the Northeast, Lucky Rusty, and Rattlesnakes targets are somewhat smaller than for Hercules, West Cliffs, and Loaves. The overall footprint encompassing the six target areas is about 2.5 kilometers in a north-south direction and up to 2.0 kilometers in an east-west direction.

To varying degrees, each of the target areas include prominent ribs and ledges comprised of quartz veins and vein breccias that are surrounded by zones of quartz-veinlet stockwork, quartz-cemented breccias, and strongly silicified country rock; most of the quartz is chalcedonic. The vein zones are cut by faults, and the veins and breccias have textures that indicate multiple episodes of faulting and hydrothermal activity. The gold- and silver-bearing vein material exhibits classic textural and geochemical epithermal characteristics. Both the veins and surrounding silicified rocks host gold and silver mineralization.

The most widespread alteration zones exposed at surface occur in the West Cliffs and Hercules target areas in the southern half of the property. These two areas are characterized by sets of veins and vein breccias that are encompassed by large areas of silicified country rock. In the north half of the project, the Loaves target area is marked by semi-continuous zones of alteration and veining at the surface, as are the less-exposed Northeast, Rattlesnakes, and Lucky Rusty targets. Loaves is interpreted to be a potential northern extension of the West Cliffs vein zone, and the Northeast mineralization is a potential extension of Hercules. There are gaps in the exposures of these two sets of northern and southern mineralized exposures that is covered by post-mineral volcanic and alluvial-colluvial deposits. Except for two holes drilled between the Loaves and West Cliffs targets, these gaps are untested by historic drilling and represent a target for further exploration.
The West Cliffs target is comprised of two sub-parallel silicified topographic ribs and associated vein sets. The western rib has been the focus of the exploration of the target, but only one hole and six chip-channel sample lines, both of which returned significant gold and silver assays, test the eastern rib. Two topographic ridges underlain by veins and associated silicification similarly characterize the Hercules target, where the eastern ridge is also underexplored. Recent surface rock chip sampling by Eclipse indicates that the Hercules target is generally higher grade (averaging approximately 3.4 g/t Au) than the West Cliffs target (averaging approximately 1.0 g/t Au). The Loaves target area manifests as a series of prominent hills that are cored by strongly silicified rock with numerous quartz veins. Historic drilling in the northeastern-most portion of the Loaves target identified apparently continuous gold mineralization over a northerly strike length of about 300 meters that remains open to the north and south. Recent surface rock chip sampling from the Loaves target by Eclipse averaged approximately 0.8 g/t Au. The Northeast target area was the subject of the only systematic historic drilling at the Hercules property, which delineated a relatively continuous zone of potentially significant mineralization, that included significant internal zones grading between 0.5 g/t Au and 2.0 g/t Au. This is supported by recent surface rock chip sampling that averaged between 0.6 g/t Au and 1.4 g/t Au for this part of the project.

There are no current mineral resource estimates for the Hercules Project as at the date of this MD&A. Sufficient historic drill, rock-chip, channel-sample, and trench data are available to indicate the presence of sizeable areas of the Hercules property that could potentially be developed into mineral resource estimates with additional drilling.

6. Results of Operations

Summary of Q1 2020 results

<table>
<thead>
<tr>
<th></th>
<th>Three months ended January 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss before tax ($)</td>
<td>(572,631)</td>
</tr>
<tr>
<td>Net loss after tax ($)</td>
<td>(572,631)</td>
</tr>
<tr>
<td>Basic and diluted loss per share ($)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Total Assets ($)</td>
<td>6,419,306</td>
</tr>
<tr>
<td>Long-term liabilities ($)</td>
<td>-</td>
</tr>
</tbody>
</table>

Eclipse is a junior exploration company and, as such, its net losses are largely driven by its exploration activities and there is no expectation of generating operating profits until it identifies and develops a commercially viable mineral deposit.

Prior to becoming a reporting issuer, the Company did not prepare quarterly financial statements and, as such no quarterly financial information prior to Q1 2020 is available.

During the three months ended January 31, 2020, the Company incurred a net loss of $572,631 as a result of:

- Incurring exploration expenses of $195,192, consisting of $107,145 on geological consulting fees, $42,138 on mapping and sampling, $1,703 on the Technical Report, $4,253 on surveys, and the remainder on travel. The Company’s accounting policy is to expense exploration costs through the consolidated statement of comprehensive loss, except for mineral property option payments and mineral property acquisition costs (including claim staking fees and related expenses), which are capitalized;
- Incurring $108,001 in professional fees which relates primarily to legal fees with respect to the Company’s filing of a prospectus and the Company’s IPO (see “2. Description of Business and Initial Public Offering”), as well as accrued auditors fees in association with a review of the Company’s Q1 2020 financial statements;
- Incurring $107,129 in salaries and wages, predominantly in relation to the CEO and CFO;
- Incurring $49,888 in transfer agents and filing fees associated with the Company’s IPO and filing of a preliminary and final prospectus (see “2. Description of Business and Initial Public Offering”);
- Incurring $55,764 in investor relations and consulting fees relating to the employment of an investor relations consultant and consulting Corporate Secretary, both of whom have since become employees of the Company post January 31, 2020;
- Incurring $15,645 in travel expenses relating to trips to the Hercules Project;
- Incurring other expenses of $54,522 including, but not limited to rent, insurance and office expenses.

These expenses were offset by $13,510 of interest income in the three months ended January 31, 2020.

**Cash flows**

Operating Activities: The Company does not generate cash from operating activities. Net cash used in the Company for operating activities after working capital changes, which includes exploration activities (as discussed above under “Results of Operations”), for the three months ended January 31, 2020 was ($781,059).

Investing Activities: During the three months ended January 31, 2020, the Company paid $67,098 on the acquisition of mineral claims contiguous to the Hercules Project, consisting of $51,880 on the acquisition of additional claims and $15,218 in claim staking. In addition, the Company earned $13,510 in interest income.

Financing Activities: During the three months ended January 31, 2020, the Company received $5,180,978 from the Subscription Receipt Financing, net of $13,884 of deferred financing costs (see “Liquidity and capital resources” below).

**7. Liquidity and Capital Resources**

As at January 31, 2020, the Company had cash of $5,551,773 and net working capital of $58,590.

Eclipse’s mineral exploration and development activities do not provide a source of income and as such, the Company has made a loss since incorporation. The Company has financed its operations to date solely through the issuance of common shares via four rounds of private placements since incorporation as follows:

- On May 3, 2019, the Company issued 200 founders shares at an issue price of $0.01 for gross aggregate proceeds of $2;
- On August 1, 2019, the Company completed a private placement issuing 4,500,000 common shares at $0.01 per share for gross proceeds of $45,000. The escrow conditions provide that 40% of the shares are released from escrow 12 months after the Listing Date, and then an additional 15% are released from escrow every 6 months thereafter until 36 months post the Listing Date;
- On August 12, 2019, the Company completed a private placement issuing 8,625,000 common shares at $0.05 per share for gross proceeds of $431,250. The escrow conditions provide that 40% of the shares are released from escrow 12 months after the Listing Date, and then an additional 15% are released from escrow every 6 months thereafter until 36 months post the Listing Date;
- On September 19, 2019, the Company completed a private placement issuing 9,093,333 common shares at $0.15 per share for gross proceeds of $1,364,000. The escrow conditions provide that 15% of the shares are released from escrow upon the Listing Date, 20% 90 days after the Listing Date, 20% 180 days after the Listing Date, 20% 270 days after the Listing Date and 25% 12 months after the Listing Date;
- On October 11, 2019, the Company completed a private placement issuing 2,500,000 common shares at $0.25 per share for gross proceeds of $625,000. The escrow conditions provide that 10% of the shares are released from escrow on the Listing Date and then 15% are released every 6 months from the Listing Date for a period of 36 months;
- On November 19, 2019, the Company completed a subscription receipt financing, placement issuing 15,500,232 Subscription Receipts at $0.35 per share for gross proceeds of $5,425,081. The funds from the Subscription Receipt Financing were released to the Company on February 10, 2020 once the escrow release conditions associated with the Subscription Receipts had been met. There are no escrow conditions
attached to the 15,500,232 common shares issued on February 10, 2020 upon conversion of the Subscription Receipts.

Where the mandatory escrow conditions pursuant to National Policy 46-201 (“NP 46-201”) are more restrictive than those described above, Principals of the Company (as defined by NP 46-201) will be bound by the more restrictive terms.

To maintain liquidity in the future, the Company continues to investigate additional project and financing opportunities and would consider raising capital via share issuances, debt facilities, joint venture arrangements, or a combination of these options. The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company’s continuing operations rely on the ability of the Company to continue to raise capital.

8. **Commitments and Contractual Obligations**

Except as described elsewhere in this MD&A, the Company had no material contractual obligations as at January 31, 2020 or the date of this MD&A.

9. **Off-Balance Sheet Arrangements**

As at January 31, 2020 and the date of this MD&A, the Company had no material off-balance sheet arrangements.

10. **Related Party Transactions**

The Company’s related parties are considered to be the Directors and Officers of the Company (Michael G Allen, Darryl Cardey, Marcel de Groot, Jeff Sundar, Douglas Hurst, Hayley DeWitt, Victoria McMillan and Shayla Forster) and their close family members and any companies controlled by these individuals.

During the three months ended January 31, 2020, certain Directors and Officers took part in the Subscription Receipt Financing for a total of 1,867,214 Subscription Receipts. During the three months ended January 31, 2020, the Company did not enter into any further transactions with related parties, not otherwise disclosed in the financial statements of the Company for the three months ended January 31, 2020.

*Compensation of key management personnel:*

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Eclipse Gold considers its Board of Directors, CEO and CFO to be key management personnel.

During the three months ended January 31, 2020, the Company’s compensation cost for key management personnel amounted to $103,140 included in salaries and wages on the Condensed Consolidated Interim Statement of Loss and Comprehensive Loss.
11. Outstanding Share Data

Common shares

As at the date of this report the Company had 41,591,108 common shares issued and outstanding. Of these common shares, 23,022,033 are held in escrow pursuant to an escrow agreement. The terms of the escrow agreement are different depending on which round of financing the common shares were purchased in, however all escrow terms require the shares to be released from escrow over a period of 36 months.

Stock options

The Company’s stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

On February 18, 2020, the Company issued 3,150,000 stock options to officers, directors, employees and consultants of the Company with an exercise price of $0.35, vesting over two years, exercisable until February 18, 2023.

All stock options issued vest as follows:

- 25% - 6 months from the grant date;
- 25% - 12 months from the grant date;
- 25% - 18 months from the grant date;
- 25% - 24 months from the grant date.

As at the date of this report, all 3,150,000 options remain outstanding and none are exercisable.

Restricted Share Units

The Company’s Restricted Share Plan (“RSR Plan”) provides for the issuance of common shares of the Company to participants of the plan for no additional consideration. The Company may grant RSUs to eligible employees, officers, directors and consultants, and the terms of the vesting of the restricted share units (“RSUs”) are determined by the Board of Directors of the Company at the time of grant. The maximum number of RSUs to be issued under the plan is 800,000. All RSUs are equity settled.

On February 3 & 18, 2020, the Company issued a total of 775,000 RSUs to officers and employees of the Company. All RSUs issued vest as follows:

- 1/3 - February 18, 2021;
- 1/3 - February 18, 2022;
- 1/3 - February 18, 2023.

As at the date of this report, all 775,000 RSUs remain outstanding.

As at the date of this MD&A the fully diluted share count is 45,516,108.
12. Financial Instruments

The Company’s financial instruments are categorized as follows:

Categories of Financial Instruments

<table>
<thead>
<tr>
<th>January 31</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
</tr>
<tr>
<td>Amortized cost</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>5,551,773</td>
</tr>
<tr>
<td>Receivables</td>
<td>8,787</td>
</tr>
<tr>
<td></td>
<td>5,560,560</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
</tr>
<tr>
<td>Amortized cost</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>150,189</td>
</tr>
<tr>
<td>Escrowed funds from financing</td>
<td>5,425,081</td>
</tr>
<tr>
<td></td>
<td>5,575,270</td>
</tr>
</tbody>
</table>

The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

Fair Value of Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Cash is measured using Level 1 of the fair value hierarchy.

Capital management

In the management of capital, the Company includes the components of shareholders’ equity. The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral projects for the benefit of its stakeholders. As the Company is in the exploration stage, it has no form of income form operations, and its principal source of funds is from the issuance of its common shares.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, or dispose of assets.

The Company’s investment practice is to invest its excess cash in highly liquid short-term interest-bearing investments selected with regards to expected timing of its expenditures. The Company is not subject to any externally imposed capital requirements.

13. Changes in Accounting Policies Including Initial Adoption

The audited consolidated financial statements for the period ended October 31, 2019 were the first financial statements prepared by the Company in accordance with IFRS, as such, all accounting policies adopted by the Company are initial adoption of IFRS. A full list of accounting policies are presented in note 3 to the October 31, 2019 financial statements, which were filed as part of the final prospectus of the Company under the Company’s profile on www.sedar.com on February 6, 2020. The accounting policies applied in the financial statements of the Company for the three months ended January 31, 2020 are consistent with those used in the audited consolidated financial statements of the Company for the period ended October 31, 2019. There are no IFRS standards which have not yet been adopted by the Company.

14. Critical Accounting Judgements and Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments

Judgments made in applying accounting policies that have the most significant effect on the amounts recognized is the financial statements for the quarter ended January 31, 2020 are as follows:
Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as financing activities, expenses and cash flow, retention of operating cash flows, and frequency of transactions within the reporting entity.

Going concern

Significant judgements are made in the Company’s assessment of its ability to continue as a going concern.

Estimates

Estimates made in applying accounting policies that have the most significant effect on the amounts recognized is the financial statements for the quarter ended January 31, 2020 are as follows:

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Reclamation provisions

The Company’s reclamation provision represents management’s best estimate of the present value of the future cash outflows required to settle the obligation. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future reclamation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

15. Risks and Uncertainties

Financial instrument risks

The Company’s financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company’s financial instruments are summarized below:
i. Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to those of the Company’s net assets denominated in US dollars.

As at January 31, 2020, with other variables unchanged, a +/- 10% change in US dollars exchange rate would decrease/increase the comprehensive loss by $2,880. The Company does not hedge its risk from changes in foreign currency exchange rates.

ii. Credit Risk

Credit risk is a risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. The Company’s cash balance is held with large, credit-worthy financial institutions and as such the risk of loss is considered to be low. Receivables consist of general sales tax due from the Federal Government of Canada and as a result, the risk of default is considered to be low.

iii. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its budget, forecasts and expenditures accordingly. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at January 31, 2020, the Company had a cash balance of $5,551,773 to settle current liabilities of $5,575,270, of which $5,425,081 was converted into equity subsequent to January 31, 2020.

iv. Market Price Risk

The Company’s ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations, amongst other things, in the market price of commodities, global financial markets and investor sentiment. The Company closely monitors commodity prices and financial markets to determine the appropriate course of action to be taken by the Company.

Other risks and uncertainties

Mining companies in the exploration stage face a variety of risks and, while unable to eliminate all of them, the Company aims to manage and reduce such risks to the greatest extent possible. The Company faces a variety of risks such as project feasibility, risks related to determining the validity of mineral property title claims, commodity prices, and changes in laws and regulations. Management monitors its activities and those risk factors that could impact them in order to manage risk. The risks and uncertainties the Company considers material in assessing its financial statements have been described in detail in the Company’s final prospectus dated February 6, 2020 which can be found under the Company’s profile on www.sedar.com.

16. Disclosure controls and procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer’s Annual and Interim Filings) (“NI 52-109”), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed consolidated interim financial statements for the period ended January 31, 2020 and this accompanying MD&A.
In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

17. Cautionary Note Regarding Forward Looking Information and Statements

This MD&A contains forward-looking statements that relate to the Company’s current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled “Description of the Business and Initial Public Offering”, “Outlook and Future Exploration Plans”, “Liquidity and Capital Resources”, and “Outstanding Share Data”.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company’s business plans focussed on the exploration and development of the Hercules Project;
- compliance with the Agreement;
- the proposed work program on the Hercules Project;
- costs and timing of future exploration and development activities;
- timing and receipt of approvals, consents and permits under applicable legislation;
- use of available funds, including the proceeds of the Subscription Receipts and the costs of the Subscription Receipt financing;
- business objectives and milestones;
- the Company’s executive compensation; and
- adequacy of financial resources.

These factors are not, and should not be construed as being, exhaustive.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner to, those disclosed elsewhere herein and any other of the Company’s concurrent public filings, and include the availability and final receipt of required approvals, licenses and permits, sufficient working capital to develop and operate any proposed mine, access to adequate services and supplies, economic conditions, commodity prices, foreign currency exchange rates, interest rates, access to equity and debt markets and associated costs of funds, availability of a qualified work force, and the ultimate ability to mine, process and sell mineral products on economically favourable terms, that the Company is able to procure equipment and supplies in sufficient quantities and on a timely basis, that engineering and exploration timetables and capital costs for the Company’s exploration plans are not incorrectly estimated or affected by unforeseen circumstances or adverse weather conditions, that any environmental and other proceedings or disputes are satisfactorily resolved, and that the Company maintains its ongoing relations with its business partners and governmental authorities. While the Company considers these material factors and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed under “Risks and Uncertainties” in this MD&A, and “Risks Factors” in the Company’s most recent prospectus available under the Company’s profile at www.sedar.com.
For the reasons set forth above, investors should not place undue reliance on forward looking statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change except as required by applicable securities laws.