



(formerly Eurocontrol Technics Group Inc.)

**Condensed Interim Consolidated Financial Statements
(Unaudited)**

As at and for the three and six months ended June 30, 2020 and 2019

(in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF PRIOR PERIOD 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 prior period information and amounts in 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 the prior period information and amounts in these financial statements.

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Consolidated Statements of Financial Position (Unaudited)**(Expressed in Canadian dollars)**

| As at, | Notes | June 30, 2020 | December 31, 2019 |
|---|-------|--------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | \$ 15,842,401 | \$ 9,702,490 |
| Amounts receivable | 6 | 364,425 | 305,077 |
| Prepaid expenses | | 558,683 | 141,789 |
| Total current assets | | 16,765,509 | 10,149,356 |
| Reclamation deposits | 11 | 1,275,437 | 75,437 |
| Property, plant and equipment | 7 | 3,284,203 | 2,796,475 |
| Exploration and evaluation assets | 8, 11 | 25,626,799 | 24,799,799 |
| TOTAL ASSETS | | \$ 46,951,948 | \$ 37,821,067 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 9, 16 | \$ 1,161,204 | \$ 1,323,399 |
| Current portion of lease obligation | 10 | 266,261 | 95,293 |
| Current portion of equipment loans payable | 10 | 64,330 | 127,279 |
| Total current liabilities | | 1,491,795 | 1,545,971 |
| Provision for site reclamation and closure | 11 | 15,523,926 | 15,351,956 |
| Lease payable | 10 | 543,777 | 120,920 |
| Flow through premium liability | 12 | 2,667,000 | 494,000 |
| Total liabilities | | 20,226,498 | 17,512,847 |
| Shareholders' equity | | | |
| Issued capital | 12 | 46,133,809 | 33,071,000 |
| Share-based payment reserve | 14 | 1,976,609 | 1,662,044 |
| Warrant reserve | 13 | 737,900 | 1,640,000 |
| Accumulated deficit | | (22,122,868) | (16,064,824) |
| Total shareholders' equity | | 26,725,450 | 20,308,220 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 46,951,948 | \$ 37,821,067 |

Nature of operations and going concern (note 1)

Events after the reporting period (note 18)

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

(Expressed in Canadian dollars)

| | Notes | Three months ended June 30, | | Six months ended June 30, | |
|---|-------|--------------------------------|---------------------|------------------------------|---------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Expenses | | | | | |
| Exploration and evaluation expenditures | | \$ 1,532,853 | \$ 780,884 | \$ 2,995,182 | \$ 780,884 |
| Mine care and maintenance costs | | 309,614 | - | 633,607 | - |
| Consulting and wages | 16 | 332,749 | 113,407 | 1,073,554 | 233,407 |
| Administration | | 519,388 | 50,620 | 876,525 | 116,431 |
| Share-based expense | 14 | - | 346,000 | 225,847 | 346,000 |
| Public company costs | | 93,494 | 99,239 | 326,482 | 117,783 |
| Travel and other | | 21,844 | 5,473 | 162,323 | 5,592 |
| Depreciation of property, plant and equipment | 7 | 133,518 | - | 217,129 | - |
| Total expenses | | 2,943,460 | 1,395,623 | 6,510,649 | 1,600,097 |
| Other income and expense | | | | | |
| Finance expense (income) | 5 | 9,863 | (1,737) | 4,014 | (16,520) |
| Foreign currency translation (gain) loss | | 756 | (2,204) | 426 | 6,344 |
| Realized (gain) on marketable securities | 5 | (65,064) | - | (90,580) | - |
| Unrealized (gain) on marketable securities | 5 | (125,653) | - | - | - |
| Accretion on site reclamation and closure | 11 | 81,552 | - | 171,970 | - |
| | | (98,546) | (3,941) | 85,830 | (10,176) |
| Loss before income taxes | | 2,844,914 | 1,391,682 | 6,596,479 | 1,589,921 |
| Income tax recovery | 12 | - | - | (494,000) | - |
| Net loss and comprehensive loss | | \$ 2,844,914 | \$ 1,391,682 | \$ 6,102,479 | \$ 1,589,921 |
| Loss per share - basic and diluted | | \$ 0.02 | \$ 0.02 | \$ 0.04 | \$ 0.04 |
| Weighted average common shares outstanding | | 168,093,925 | 56,982,220 | 159,171,496 | 40,047,387 |

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(Expressed in Canadian dollars)

| | Number of Shares | Issued Capital (Note 12) | Share-based Payment Reserve (Note 14) | Warrant Reserve (Note 13) | Retained earnings (deficit) | Total |
|---|---------------------|-----------------------------|--|---------------------------------|-----------------------------------|---------------|
| Balance as at December 31, 2018 | 23,112,554 | \$ 15,001,591 | \$ 298,895 | \$ - | \$(11,134,651) | \$ 4,165,835 |
| Issue of shares pursuant to private placement, net of issue costs | 11,730,000 | 1,562,898 | - | 696,000 | - | 2,258,898 |
| Issue of shares for acquisition of mineral properties | 30,220,000 | 6,031,900 | - | - | - | 6,031,900 |
| Share-based expense - options | - | - | 332,000 | - | - | 332,000 |
| Share-based expense - RSU's | - | - | 14,000 | - | - | 14,000 |
| Expiry of stock options | - | - | (84,851) | - | 84,851 | - |
| Net loss for the period | - | - | - | - | (1,589,921) | (1,589,921) |
| Balance as at June 30, 2019 | 65,062,554 | \$ 22,596,389 | \$ 560,044 | \$ 696,000 | \$(12,639,721) | \$ 11,212,712 |
| Issue of shares pursuant to private placement, net of issue costs | 48,399,742 | 7,777,311 | - | 41,000 | - | 7,818,311 |
| Flow through premium liability | - | (494,000) | - | - | - | (494,000) |
| Shares and warrants issued on corporate acquisition | 12,580,000 | 2,956,300 | - | 903,000 | - | 3,859,300 |
| Shares issued as fees on corporate acquisition | 1,000,000 | 235,000 | - | - | - | 235,000 |
| Share-based expense - options | - | - | 1,102,000 | - | - | 1,102,000 |
| Exchange gain on translation of foreign subsidiaries | - | - | - | - | - | - |
| Net loss for the period | - | - | - | - | (3,425,103) | (3,425,103) |
| Balance as at December 31, 2019 | 127,042,296 | \$ 33,071,000 | \$ 1,662,044 | \$ 1,640,000 | \$(16,064,824) | \$ 20,308,220 |
| Issue of shares pursuant to private placement, net of issue costs | 31,494,920 | 12,128,464 | - | 85,000 | - | 12,213,464 |
| Flow through premium liability | - | (2,667,000) | - | - | - | (2,667,000) |
| Issue of shares for acquisition of mineral properties (Note 8) | 2,200,000 | 677,000 | - | - | - | 677,000 |
| Exercise of warrants | 7,595,003 | 2,898,300 | - | (987,100) | - | 1,911,200 |
| Exercise of options | 75,000 | 26,045 | (8,000) | - | - | 18,045 |
| Share-based expense - options | - | - | 367,000 | - | - | 367,000 |
| Expiry of stock options | - | - | (44,435) | - | 44,435 | - |
| Net loss for the period | - | - | - | - | (6,102,479) | (6,102,479) |
| Balance as at June 30, 2020 | 168,407,219 | \$ 46,133,809 | \$ 1,976,609 | \$ 737,900 | \$(22,122,868) | \$ 26,725,450 |

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(Expressed in Canadian dollars)

| For the six month periods ended June 30, | Notes | 2020 | 2019 |
|---|-------|----------------------|---------------------|
| Cash provided by (used in): | | | |
| Operating activities | | | |
| Net loss for the period | | \$ (6,102,479) | \$ (1,589,921) |
| Items not involving cash: | | | |
| Income tax recovery | 12 | (494,000) | - |
| Share based payments | 14 | 367,000 | 346,000 |
| Accretion on site reclamation and closure | 11 | 171,970 | - |
| Depreciation of property, plant and equipment | 7 | 217,129 | - |
| Realized gain on marketable securities | 5 | (90,580) | - |
| Working capital changes | | | |
| Change in amounts receivable | | (59,348) | (46,342) |
| Funds from long term receivable | | - | 1,300,000 |
| Change in prepaid expenses | | (416,894) | (105,886) |
| Change in accounts payable and accrued liabilities | | (162,195) | (109,420) |
| Cash flows used in operating activities | | (6,569,397) | (205,569) |
| Investing activities | | | |
| Acquisition of exploration and evaluation assets | | (150,000) | (540,000) |
| Acquisition of property, plant and equipment | | (25,232) | - |
| Reclamation deposits | | (1,200,000) | - |
| Repayment of lease and equipment loans | | (148,749) | - |
| (Purchase) Sales of marketable securities, net | | 90,580 | 1,249,820 |
| Cash flows from (used in) investing activities | | (1,433,401) | 709,820 |
| Financing activities | | | |
| Issue of shares pursuant to private placement | | 13,059,988 | 2,258,898 |
| Share issue costs | | (846,524) | - |
| Issue of shares pursuant to exercise of warrants and options | | 1,929,245 | - |
| Cash flows from financing activities | | 14,142,709 | 2,258,898 |
| Net increase in cash and cash equivalents for the period | | 6,139,911 | 2,763,149 |
| Cash and cash equivalents, beginning of the period | | 9,702,490 | 946,611 |
| Cash and cash equivalents, end of the period | | \$ 15,842,401 | \$ 3,709,760 |
| Supplementary cash flow information | | | |
| Interest received | | \$ 12,325 | \$ 16,520 |

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

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six month periods ended June 30, 2020 and 2019**

(Expressed in Canadian dollars)

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

Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) (“Talisker” or the “Company”) is a publicly listed company incorporated in British Columbia and continued in the Province of Ontario. The Company is engaged in exploration and evaluation of mineral properties in British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (the “CSE”) under the symbol “TSK” and the OTCQX Venture Market under the symbol “TSKFF”. The head office and registered address of the Company is located at 350 Bay Street, Suite 400, Toronto, Ontario, M7A 0A7.

Going Concern

The condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company had a net loss during the six month period ended June 30, 2020 of \$6,102,479 and an accumulated deficit of \$22,122,868.

The Company’s ability to continue as a going concern is dependent upon attaining profitable operations, and, if required, the ability to raise public equity financing to meet expenditure commitments. There is no assurance that these activities will be successful. The combination of these circumstances set out above represents a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern. However, the Company is managing the business and operations so that it will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing its financial statements. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumptions were not appropriate. These adjustments would be material to the condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 12, 2020.

2. BASIS OF PRESENTATION**Statement of Compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**For the three and six month periods ended June 30, 2020 and 2019****(Expressed in Canadian dollars)****2. BASIS OF PRESENTATION (continued)****Basis of Measurement and Significant Accounting Policies**

These condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2019 annual financial statements, other than as noted below.

IFRS 3, Business Combinations ("IFRS 3")

In October 2018, the IASB issued amendments to the guidance in IFRS 3, that revises the definition of a business. The revised guidance introduces an optional concentration test that, if met, eliminates the need for further assessment. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. These amendments are effective and shall be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Principles of Consolidation

These condensed interim consolidated financial statements for the three and six month periods ended June 30, 2020 and 2019 include the financial position, financial performance and cash flows of the Company and its subsidiary detailed below:

| Subsidiary | Country of Incorporation | Economic Interest | Basis of Accounting |
|--------------------------|---------------------------------|--------------------------|----------------------------|
| Bralorne Gold Mines Ltd. | Canada | 100% | Full consolidation |

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2019 other than as stated below.

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**For the three and six month periods ended June 30, 2020 and 2019****(Expressed in Canadian dollars)****3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

The outbreak of the novel coronavirus (“COVID-19”), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management’s assumption that the Company will continue to operate as a going concern. Based on current legislation, as of June 30, 2020, the Company is required to spend approximately \$8,400,000 out of which \$1,000,000 is to be spent by December 31, 2020 and \$7,400,000 is to be spent by December 31, 2021 in connection with its flow-through offerings (December 31, 2019 - \$3,158,000). On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Assuming the extension will be enacted, as of June 30, 2020, the Corporation is required to spend \$1,000,000 of flow-through funds by December 31, 2021 and \$7,400,000 of flow-through funds by December 31, 2022. If the extension is not finalized by the Department of Finance, the dates for the flow-through spend requirements will be moved up by one year.

4. CASH AND CASH EQUIVALENTS

The balance at June 30, 2020 consists of cash on deposit with major Canadian banks in interest bearing accounts totaling \$13,638,618 (December 31, 2019 - \$9,602,490) and guaranteed investment certificates with major Canadian banks of \$2,203,783 (December 31, 2019 - \$100,000) for total cash and cash equivalents of \$15,842,401 (December 31, 2019 - \$9,702,490).

5. MARKETABLE SECURITIES

During the six month period ended June 30, 2020, the Company recognized interest income related to the various investments of \$12,325 (2019 - \$16,520).

During the six month period ended June 30, 2020, the Company recognized a realized gain of \$90,580 (2019 - \$nil) on sale of various common shares.

6. AMOUNTS RECEIVABLE

| As at, | June 30, 2020 | December 31, 2019 |
|-------------------|--------------------------|------------------------------|
| HST receivable | \$ 364,425 | \$ 293,746 |
| Other receivables | - | 11,331 |
| | \$ 364,425 | \$ 305,077 |

At June 30, 2020, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 17. The Company holds no collateral for any receivable amounts outstanding as at June 30, 2020 and December 31, 2019.

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**For the three and six month periods ended June 30, 2020 and 2019****(Expressed in Canadian dollars)****7. PROPERTY, PLANT AND EQUIPMENT**

| | Machinery and Equipment \$ | Buildings \$ | Water Treatment Facility \$ | Vehicles \$ | Right-of-Use Asset \$ | Total \$ |
|------------------------------|-------------------------------------|-----------------|--------------------------------------|----------------|-----------------------------|-------------|
| Balance at December 31, 2018 | - | - | - | - | - | - |
| Additions | 1,149,210 | 312,500 | 1,252,000 | 96,700 | - | 2,810,410 |
| Balance at December 31, 2019 | 1,149,210 | 312,500 | 1,252,000 | 96,700 | - | 2,810,410 |
| Additions | - | - | - | 25,232 | 679,625 | 704,857 |
| Balance at June 30, 2020 | 1,149,210 | 312,500 | 1,252,000 | 121,932 | 679,625 | 3,515,267 |

ACCUMULATED DEPRECIATION

| | | | | | | |
|------------------------------|--------|--------|--------|--------|--------|---------|
| Balance at December 31, 2018 | - | - | - | - | - | - |
| Additions | 7,521 | 2,133 | 3,503 | 778 | - | 13,935 |
| Balance at December 31, 2019 | 7,521 | 2,133 | 3,503 | 778 | - | 13,935 |
| Additions | 91,013 | 25,793 | 42,153 | 9,625 | 48,545 | 217,129 |
| Balance at June 30, 2020 | 98,534 | 27,926 | 45,656 | 10,403 | 48,545 | 231,064 |

NET BOOK VALUE

| | | | | | | |
|-------------------------|------------------|----------------|------------------|----------------|----------------|------------------|
| At December 31, 2019 | 1,141,689 | 310,367 | 1,248,497 | 95,922 | - | 2,796,475 |
| At June 30, 2020 | 1,050,676 | 284,574 | 1,206,344 | 111,529 | 631,080 | 3,284,203 |

As at June 30, 2020, \$532,290 (December 31, 2019: \$571,736) of machinery and equipment is under lease and loans (see Note 10).

8. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets for the Company are summarized as follows:

| Project | January 1, 2020 | Additions | June 30, 2020 |
|---------------------------|------------------------|-------------------|----------------------|
| Spences Bridge | \$ 5,701,823 | \$ - | \$ 5,701,823 |
| Bralorne Gold Project | 17,120,504 | - | 17,120,504 |
| Baker-Shasta Project | 1,127,406 | - | 1,127,406 |
| Mets Lease | 5,917 | - | 5,917 |
| Bot Property | 256,948 | - | 256,948 |
| Tulox Property | 405,963 | - | 405,963 |
| WCGG Properties | 109,338 | - | 109,338 |
| Merritt Property | 41,900 | 28,250 | 70,150 |
| Blustry Mountain Property | 30,000 | - | 30,000 |
| Golden Hornet Property | - | 26,000 | 26,000 |
| Royalle Property | - | 243,000 | 243,000 |
| Big Sheep Property | - | 120,000 | 120,000 |
| NaiKun Wind Crown Grant | - | 36,000 | 36,000 |
| Congress Property | - | 295,000 | 295,000 |
| SC Property | - | 78,750 | 78,750 |
| | \$ 24,799,799 | \$ 827,000 | \$ 25,626,799 |

During the six month period ended June 30, 2020, the Company issued 2,200,000 shares with a value of \$677,000 and made cash payments of \$150,000 for property acquisitions.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| As at, | June 30, 2020 | December 31, 2019 |
|---------------------|--------------------------|------------------------------|
| Accounts payable | \$ 834,534 | \$ 932,153 |
| Accrued liabilities | 326,670 | 391,246 |
| | \$ 1,161,204 | \$ 1,323,399 |

10. LEASES AND EQUIPMENT LOANS PAYABLE

Equipment Loan Payable

The Company has entered into loans for mining equipment maturing in 2020 with a fixed interest rate of 4.35% per annum. The Company's obligations under the loans are secured by certain plant and mining equipment.

The contractual maturities and interest charges in respect of the Company's obligations under the equipment loans are as follows:

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|----------------------|
| Not later than one year | \$ 65,149 | \$ 130,298 |
| Later than one year and not later than five years | - | - |
| Less: Future interest charges | (819) | (3,019) |
| Present value of loan payments | <u>64,330</u> | 127,279 |
| Less: current portion | <u>(64,330)</u> | 127,279 |
| Non-current portion | \$ - | \$ - |

Leases Payable

The Company has entered into equipment leases expiring between 2020 and 2021, with interest rates ranging from 4.95% to 5.90% per annum. The Company has the option to purchase the equipment at the end of the lease term for a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

The contractual maturities and interest charges in respect of the Company's finance lease obligations are as follows:

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|----------------------|
| Not later than one year | \$ 321,668 | \$ 109,066 |
| Later than one year and not later than five years | 595,269 | 129,958 |
| Less: Future interest charges | (106,899) | (22,811) |
| Present value of lease payments | <u>810,038</u> | 216,213 |
| Less: current portion | <u>(266,261)</u> | (95,293) |
| Non-current portion | \$ 543,777 | \$ 120,920 |

11. PROVISION FOR SITE RECLAMATION AND CLOSURE

Provincial laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements.

The Company's determination of the environmental rehabilitation provision arising from its activities at the Baker, Bot, and Tulox projects (Sable Resources) at June 30, 2020 was \$1,157,832 (December 31, 2019: \$1,157,832). The Company has estimated that the reclamation costs are current costs and as such considers the present value of the provision at June 30, 2020 to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being \$1,157,832 (December 31, 2019: \$1,157,832).

11. PROVISION FOR SITE RECLAMATION AND CLOSURE (continued)

As part of the Company's agreement with Sable, Sable is required to cover any environmental liability in excess of the agreed upon amount of \$316,266. As at June 30, 2020, the excess over this amount is equal to \$841,566. This is a contingent asset all will be recorded in future once the reclamation activities have occurred and Sable have settled their obligation.

The present value of the obligation for Bralorne of \$14,366,094 (December 31, 2019 – \$14,194,124) is based on an undiscounted obligation of \$55,244,507, out of which \$8,385,881 is expected to be incurred in 2027 with the remaining \$46,858,626 to be incurred on water treatment and quality monitoring throughout 2126. The provision was calculated using a weighted average risk-free interest rate of 1.71% (December 31, 2019 – 1.71%) and a weighted average inflation rate of 2% (December 31, 2019 – 2%). Reclamation activities are estimated to begin in 2027 and are expected to be incurred over a period of 100 years.

The breakdown of the provision for site reclamation and closure is as per below:

| | June 30, 2020 | | | December 31, 2019 | | |
|-----------------------------------|---------------|------------|------------|-------------------|------------|------------|
| | Talisker | Bralorne | Total | Talisker | Bralorne | Total |
| Balance, beginning of period/year | 1,157,832 | 14,194,124 | 15,351,956 | - | - | - |
| Acquisition of properties | - | - | - | 1,157,832 | 14,177,926 | 15,335,758 |
| Accretion | - | 171,970 | 171,970 | - | 16,198 | 16,198 |
| Balance, end of period/year | 1,157,832 | 14,366,094 | 15,523,926 | 1,157,832 | 14,194,124 | 15,351,956 |

Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

| | June 30, 2020 | | | December 31, 2019 | | |
|-----------------------------------|---------------|-----------|-----------|-------------------|----------|--------|
| | Talisker | Bralorne | Total | Talisker | Bralorne | Total |
| Balance, beginning of period/year | 50,437 | 25,000 | 75,437 | - | - | - |
| Additions | - | 1,200,000 | 1,200,000 | 50,437 | 25,000 | 75,437 |
| Balance, end of period/year | 50,437 | 1,225,000 | 1,275,437 | 50,437 | 25,000 | 75,437 |

The Company has deposited funds totaling \$50,437 (December 31, 2019 - \$50,437) with the Province of British Columbia (the "Province") in relation to disturbance associated with exploration activities at the Baker Gold Project and the Bot and Tulox properties. This deposit is held until the Province is satisfied that the Company has completed certain remediation activities on these properties.

Under the Ministry of Energy, Mines and Petroleum Resources ("MEM"), the Company is required to hold reclamation bonds that cover the estimated future cost to reclaim the ground disturbed. Bralorne is required to pay \$250,000 every six months until a cumulative security equal to \$12,300,000. Prior to acquisition, Bralorne had total reclamation security of \$1,625,000 which was replaced on February 14, 2020 with a reclamation surety bond amounting to \$1,650,000. At June 30, 2020, the Company had \$1,225,000 (December 31, 2019 - \$25,000) to cover estimated future costs related to the ground disturbance at the Company's Bralorne project.

12. ISSUED CAPITAL

Authorized Unlimited common shares without par value

| | June 30, 2020 | December 31, 2019 |
|---|------------------|----------------------|
| Issued capital | \$ 46,133,809 | \$ 33,071,000 |
| Fully paid common shares ⁽¹⁾ | 168,407,219 | 127,042,296 |

(1) As at June 30, 2020 and December 31, 2019, there are 250,000 shares awaiting issuance, the proceeds for which were received in 2008 and are included in share capital.

Common Shares Issued

| | Number of Shares | Value of shares |
|---|---------------------|-----------------|
| Balance as at December 31, 2018 | 23,112,554 | \$ 15,001,591 |
| Issue of shares pursuant to private placement, net of issue costs | 60,129,742 | 10,077,209 |
| Issue of shares for acquisition of mineral properties | 30,220,000 | 6,031,900 |
| Shares and warrants issued on corporate acquisition | 12,580,000 | 2,956,300 |
| Shares issued as fees for corporate acquisition | 1,000,000 | 235,000 |
| Warrants issued | - | (696,000) |
| Broker warrants issued | - | (41,000) |
| Flow through premium liability | - | (494,000) |
| Balance as at December 31, 2019 | 127,042,296 | \$ 33,071,000 |
| Issue of shares pursuant to private placement, net of issue costs | 31,494,920 | 12,128,464 |
| Flow through premium liability | - | (2,667,000) |
| Issue of shares for acquisition of mineral properties (Note 8) | 2,200,000 | 677,000 |
| Exercise of warrants | 7,595,003 | 2,898,300 |
| Exercise of options | 75,000 | 26,045 |
| Balance as at June 30, 2020 | 168,407,219 | \$ 46,133,809 |

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

Financings

On February 4, 2020, the Company closed a bought deal private placement for total gross proceeds of \$13,059,988. In connection with the offering, the Company issued an aggregate of 15,333,320 common shares at a price of \$0.33 per common Share for gross proceeds of \$5,059,996, and 16,161,600 charity flow-through (FT) common shares of the Company at a price of \$0.495 per Charity FT Share for gross proceeds of \$7,999,992, in which the charity FT shares will qualify as flow-through shares within the meaning of the Income Tax Act (Canada).

In consideration for their services, the Company has paid the Agents a cash commission and incurred other closing costs totalling \$846,524, and issued an aggregate of 620,817 warrants. Each warrant entitles the holder to acquire a common share of the Company at a price of \$0.33 for a period of 24 months. The warrants were ascribed a fair value of \$85,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.47%; volatility 75% and an expected life of 24 months.

12. ISSUED CAPITAL (continued)

Flow Through Premium Liability

For the purposes of calculating the tax effect of any premium related to the issuances of the flow-through shares, the Company reviewed the share price of the Company's common shares and compared it to determine if there was a premium paid on the shares.

For the six month period ended June 30, 2020, the Company recognized a \$2,667,000 as a flow-through premium liability on issuance in connection with the private placements described above. The amount will be reduced upon filing of renunciation documents with the Canada Revenue Agency.

For the six month period ended June 30, 2020, the Company recognized an amount of \$494,000, in relation to flow-through private placements closed in the prior year and has recorded the gain as income tax recovery upon filing of renunciation documents with the Canada Revenue Agency which occurred during the six month period ended June 30, 2020.

Diluted Weighted Average Number of Shares Outstanding

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Basic weighted average shares outstanding: | 168,093,925 | 56,982,220 | 159,171,496 | 40,047,387 |
| Effect of outstanding securities | - | - | - | - |
| Diluted weighted average shares outstanding | 168,093,925 | 56,982,220 | 159,171,496 | 40,047,387 |

During the three and six month periods ended June 30, 2020 and 2019, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

13. WARRANTS RESERVE

The following is a summary of changes in warrants from January 1, 2019 to June 30, 2020:

| | Number of Warrants | Weighted average exercise price per warrant | Amount |
|--|-----------------------|--|--------------|
| Balance, January 1, 2019 | - | \$ - | \$ - |
| Issue of warrants | 11,730,000 | 0.30 | 696,000 |
| Issue of broker warrants | 518,566 | 0.14 | 41,000 |
| Issue of warrants on corporate acquisition | 6,290,000 | 0.25 | 903,000 |
| Balance, December 31, 2019 | 18,538,566 | \$ 0.28 | \$ 1,640,000 |
| Exercise of warrants | (7,595,003) | 0.25 | (987,100) |
| Issue of broker warrants (Note 12) | 620,817 | 0.33 | 85,000 |
| Balance, June 30, 2020 | 11,564,380 | \$ 0.30 | \$ 737,900 |

13. WARRANTS RESERVE (continued)

As at June 30, 2020, the Company had outstanding warrants as follows:

| Expiry Date | Exercise Price | Outstanding and exercisable |
|-------------------------------|----------------|-----------------------------|
| April 18, 2021 | \$0.30 | 10,755,000 |
| August 29, 2021 | \$0.14 | 188,563 |
| February 4, 2022 | \$0.33 | 620,817 |
| Balance, June 30, 2020 | | 11,564,380 |

During the six month period ended June 30, 2020, 7,595,003 warrants were fully exercised for proceeds of \$1,911,200.

14. SHARE-BASED PAYMENT RESERVE

Stock Option Plan

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with regulatory policies.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last closing price of the Company's common shares before the date of grant or in accordance with regulatory requirements.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following options were outstanding as at June 30, 2020:

| Number of options outstanding | Number of exercisable options | Grant date | Expiry date | Exercise price | Fair value at grant date |
|-------------------------------|-------------------------------|-------------------|-------------------|----------------|--------------------------|
| 243,750 | 243,750 | February 19, 2016 | February 19, 2021 | \$ 0.60 | 150,609 |
| 100,000 | 100,000 | August 22, 2018 | August 22, 2023 | \$ 0.24 | 11,000 |
| 3,400,000 | 3,400,000 | June 18, 2019 | June 18, 2024 | \$ 0.20 | 332,000 |
| 5,000,000 | 5,000,000 | December 27, 2019 | December 27, 2024 | \$ 0.295 | 1,102,000 |
| 1,300,000 | 1,300,000 | February 14, 2020 | February 14, 2025 | \$ 0.390 | 367,000 |
| 10,043,750 | 10,043,750 | | | | \$ 1,962,609 |

The share options outstanding as at June 30, 2020 had a weighted exercise price of \$0.28 (December 31, 2019: \$0.27) and a weighted average remaining contractual life of 4.47 years (December 31, 2019: 4.57 years).

All options vested on their date of issue and expire within five years of their issue, or 90 days after the resignation of the director, officer, employee or consultant.

14. SHARE-BASED PAYMENT RESERVE (continued)

Fair value of share options granted in the six month period ended June 30, 2020

On February 14, 2020, 1,300,000 share options were granted to directors, officers and consultants of the Company to acquire the Company's shares at an exercise price of \$0.39 until February 14, 2025. These share options had an estimated fair value of \$367,000 at grant date.

The fair value of share options granted in the six month period ended June 30, 2020 was calculated using the following assumptions:

| | | Number of Options Granted |
|-------------------------|----|----------------------------------|
| | | 14-Feb-20 |
| | | 1,300,000 |
| Grant date share price | \$ | 0.380 |
| Exercise price | \$ | 0.39 |
| Expected volatility | | 100% |
| Expected option life | | 5 years |
| Expected dividend yield | | 0% |
| Risk-free interest rate | | 1.37% |

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on comparable companies, an expected dividend yield, and a risk free interest rate, as noted in the table above. Where relevant, the expected life used in the model has been adjusted based on management's estimation.

Movements in Share Options During the Period

The following reconciles the share options outstanding for the six month period ended June 30, 2020 and year ended December 31, 2019:

| | | | |
|---------------------------------|------------|----|------|
| Balance as at December 31, 2018 | 818,750 | \$ | 0.52 |
| Granted | 8,400,000 | \$ | 0.26 |
| Forfeited | (187,500) | \$ | 0.60 |
| Balance as at December 31, 2019 | 9,031,250 | \$ | 0.27 |
| Granted | 1,300,000 | \$ | 0.39 |
| Exercised | (75,000) | \$ | 0.24 |
| Expired | (93,750) | \$ | 0.52 |
| Forfeited | (118,750) | \$ | 0.60 |
| Balance as at June 30, 2020 | 10,043,750 | \$ | 0.28 |

Restricted Share Units

The Restricted Share Unit Plan (RSU Plan) provides for the grant of restricted share units (each, an "RSU") convertible into a maximum number of common shares equal to ten percent (10%) of the number of common shares then issued and outstanding, provided, however, the number of common shares reserved for issuance from treasury under the RSU Plan and pursuant to all other security-based compensation arrangements of the Company shall, in the aggregate, not exceed ten percent (10%) of the number of common shares then issued and outstanding. Any common shares subject to a RSU which has been cancelled or terminated in accordance with the terms of the RSU Plan without settlement will again be available under the RSU Plan. When vested, each RSU entitles the holder to receive, subject to adjustments as provided for in the RSU Plan, one common Share or payment in cash for the equivalent thereof based on the volume weighted average trading price of the common shares on the five trading days immediately preceding the redemption date. The terms and conditions of vesting (if applicable) of each

14. SHARE-BASED PAYMENT RESERVE (continued)

grant are determined by the Board at the time of the grant, subject to the terms of the RSU Plan. RSU awards may, but need not, be subject to performance incentives to reward attainment of annual or long-term performance goals. Any such performance incentives or long term performance goals are subject to determination by the Board and specified in the award agreement.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU the carrying amount is recorded as an increase in common share capital and a reduction in the liability.

The following table summarizes changes in the number of RSUs outstanding:

| | Number of RSU's | Weighted average fair value |
|--|-----------------|--------------------------------|
| Balance, December 31, 2018 | - | \$ - |
| Granted | 100,000 | \$ 0.14 |
| Balance, December 31, 2019 and June 30, 2020 | 100,000 | \$ 0.14 |

The following table summarizes information about share-based payment reserve:

| | |
|---------------------------------|--------------|
| Balance as at December 31, 2018 | \$ 298,895 |
| Share-based expense - options | 1,434,000 |
| Share-based expense - RSU's | 14,000 |
| Expiry of stock options | (84,851) |
| Balance as at December 31, 2019 | \$ 1,662,044 |
| Share-based expense - options | 367,000 |
| Exercise of RSU's | (8,000) |
| Expiry of stock options | (44,435) |
| Balance as at June 30, 2020 | \$ 1,976,609 |

15. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at June 30, 2020 and December 31, 2019 were as follows:

| | Assets at fair value through profit of loss | Amortized cost | Other financial liabilities | Total |
|--|--|-------------------|-----------------------------------|---------------|
| As at June 30, 2020 | | | | |
| Cash and cash equivalents | \$ - | \$ 15,842,401 | \$ - | \$ 15,842,401 |
| Reclamation deposits | - | 1,275,437 | - | 1,275,437 |
| Accounts payable and accrued liabilities | - | - | 1,161,204 | 1,161,204 |
| Leases payable | - | - | 810,038 | 810,038 |
| Equipment loans payable | - | - | 64,330 | 64,330 |
| As at December 31, 2019 | | | | |
| Cash and cash equivalents | \$ - | \$ 9,702,490 | \$ - | \$ 9,702,490 |
| Marketable securities | - | - | - | - |
| Reclamation deposits | - | 75,437 | - | 75,437 |
| Accounts payable and accrued liabilities | - | - | 1,323,399 | 1,323,399 |
| Leases payable | - | - | 216,213 | 216,213 |
| Equipment loans payable | - | - | 127,279 | 127,279 |

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 June 30, 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, reclamation deposits, accounts payable and accrued liabilities and leases and loan payables approximate fair value because of the limited terms of these instruments.

16. RELATED PARTY DISCLOSURES

The following is a summary of the Company's related party transactions during the six month periods ended June 30, 2020 and 2019:

The Company incurred administrative and operations costs in the amount of \$28,957 (2019 - \$nil) paid to Sable Resources Ltd., a company with certain common directors and officers.

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.

16. RELATED PARTY DISCLOSURES (continued)

The remuneration of directors and other members of key management personnel during the six month periods ended June 30, 2020 and 2019 were as follows:

| | June 30, 2020 | June 30, 2019 |
|---|-------------------|-------------------|
| Short term employee benefits, director fees | \$ 481,636 | \$ 313,708 |
| Share based payments | 169,000 | 303,000 |
| | <u>\$ 650,636</u> | <u>\$ 616,708</u> |

As at June 30, 2020, an amount of \$85,828 (December 31, 2019 - \$91,852) 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.

17. COMMITMENTS AND CONTINGENCIES

Flow-Through Shares

As at June 30, 2020, the Company is committed to spending approximately \$8,400,000 out of which \$1,000,000 is to be spent by December 31, 2020 and \$7,400,000 to be spent by December 31, 2021 in connection with its flow-through offerings (December 31, 2019 - \$3,158,000). On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including suspending the Part XII.6 tax for the same period. Assuming the extension will be enacted, as of June 30, 2020, the Corporation is required to spend \$1,000,000 of flow-through funds by December 31, 2021 and \$7,400,000 of flow-through funds by December 31, 2022. If the extension is not finalized by the Department of Finance, the dates for the flow-through spend requirements will be moved up by one year.

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.

18. EVENTS AFTER THE REPORTING PERIOD

Asset Purchase Agreement with TDG Gold Corp.

On July 8, 2020, the Company entered into an agreement with TDG Gold Corp. ("TDG Gold") for TDG Gold to acquire several of Talisker's mineral resource properties located in the Toodoggone region of the province of British Columbia. In connection with the sale, TDG Gold entered into an asset purchase agreement (the "TDG Gold Agreement") with the Company to purchase the Properties on the terms and conditions outlined below. The properties being acquired by TDG Gold consist of: the Baker Project, the Shasta Mine and the Baker mill infrastructure and equipment; the Chappelle property, the Mets lease, and the Bot property. The completion of the sale of the properties to TDG Gold is subject to regulatory approval and certain other conditions, including those that are described below.

Pursuant to the TDG Gold Agreement, TDG Gold will acquire the properties by issuing to Talisker the greater of 50,000,000 TDG Gold Shares and that number of TDG Gold Shares that equals 30.12% of the issued and outstanding TDG Gold Shares (calculated on a fully-diluted basis) determined immediately following the completion of a listing event. In addition, in the event the listing event has not occurred on or prior to: (a) December 31, 2020, TDG Gold shall issue an additional 2,500,000 TDG Gold Shares to Talisker at the time of completion of the sale of the properties; and (b) June 30, 2021, TDG Gold shall issue an

Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

(Expressed in Canadian dollars)



18. EVENTS AFTER THE REPORTING PERIOD (continued)

additional 2,500,000 TDG Gold Shares to Talisker at the time of completion of the sale of the properties. The completion of the sale is also subject to TDG Gold completing equity financings and having received conditional approval for the listing event. Talisker retains the right to terminate the TDG Gold Agreement should the listing event not occur by June 30, 2021.

Private Placement Financing

On July 22, 2020, the Company entered into an agreement with a syndicate of underwriters, with Sprott Capital Partners LP and PI Financial Corp. as co-lead underwriters and co-bookrunners, pursuant to which the underwriters have agreed to purchase 28,260,870 units (\$13-million) and 15,625,000 charity flow-through share units (\$10-million) on a bought deal basis for total gross proceeds of \$23-million. The Charity FT Units will qualify as "flow-through shares" within the meaning of the Income Tax Act (Canada). Each Unit and Charity FT Unit (the "Offered Securities") will be comprised of one common share of the Corporation and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one Common Share (a "Warrant Share") at an exercise price of \$0.70 for a period of 12 months from the date of issuance thereof.

The Units will be sold at a price of \$0.46 per Unit (the "Offering Price") and the Charity FT Units will be sold at a price of \$0.64 per Charity FT Unit (the "Charity FT Unit Offering Price").