

Precipitate Gold Corp.

Condensed Interim Financial Statements

Three and Nine Months ended August 31, 2020 and 2019

Unaudited – Expressed in Canadian Dollars

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

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

Precipitate Gold Corp.
Consolidated Statements of Financial Position
Unaudited – Prepared by Management
In Canadian Dollars

ASSETS	August 31, 2020	November 30, 2019
Current		
Cash	\$ 1,790,088	\$ 1,399,801
Amounts receivable	41,935	16,111
Prepaid expenses	39,911	96,235
Investments (Note 5)	78,000	51,000
	<u>1,949,934</u>	<u>1,563,147</u>
Property and Equipment (Note 6)	60,856	-
Mineral Property Interests (Note 4)	1,803,998	1,803,998
	<u>\$ 3,814,788</u>	<u>\$ 3,367,145</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 38,701	\$ 40,897
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	15,234,407	13,761,398
Reserves (Note 7)	3,480,821	3,151,718
Deficit	<u>(14,939,141)</u>	<u>(13,586,868)</u>
	<u>3,776,087</u>	<u>3,326,248</u>
	<u>\$ 3,814,788</u>	<u>\$ 3,367,145</u>

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 12)

Approved by the Board of Directors:

"Jeffrey Wilson"

Jeffrey Wilson, Director

"Lon Shaver"

Lon Shaver, Director

Precipitate Gold Corp.

Consolidated Interim Statements of Loss and Comprehensive Loss For the Three and Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management
In Canadian Dollars

	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019	Nine Months Ended August 31, 2020	Nine Months Ended August 31, 2019
Expenses				
Audit and accounting (Note 9)	\$ 13,200	\$ 11,814	\$ 34,444	\$ 36,616
Consulting (Note 6)	1,548	-	3,832	-
Exploration and evaluation (Note 4)	130,114	56,254	447,383	385,031
Foreign exchange loss (gain)	16,008	862	19,843	1,460
Insurance	1,875	1,185	4,302	3,559
Investor relations	26,938	1,875	30,743	16,080
Legal	7,423	5,288	27,737	26,006
Marketing, conferences and shareholder relations	43,832	1,441	152,631	13,257
Office and administrative	10,140	13,455	34,341	35,605
Property investigation costs (Note 9)	-	-	7,500	5,215
Rent (Note 6)	8,087	3,750	18,985	11,250
Repairs and maintenance (Note 6)	28,622	-	96,926	-
Salaries and wages (Note 9)	39,588	39,591	122,885	122,103
Share-based compensation (Note 7 and 9)	35,000	-	376,000	-
Transfer agent and filing fees	3,415	3,063	17,355	16,903
Total expenses	(365,790)	(138,578)	(1,394,907)	(673,085)
Interest income	5,315	604	15,634	3,666
Gain on sale of mineral property interest (Note 4)	-	50,000	-	327,500
Gain (loss) on sale of investments (Note 5)	-	99,934	-	99,934
Unrealized gain (loss) on investments (Note 5)	9,000	113,000	27,000	48,000
Net income (loss) for the period	\$ (351,475)	\$ 124,960	\$ (1,352,273)	\$ (193,985)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average shares outstanding	105,933,418	82,692,575	99,351,237	81,517,393

– See Accompanying Notes –

Precipitate Gold Corp.

Consolidated Interim Statements of Cash Flows

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

Cash Provided By (Used In):	2020	2019
Operating activities:		
Loss for the period	\$ (1,352,273)	\$ (193,985)
Items not affecting cash:		
Gain on sale of mineral property interest	-	(327,500)
Loss/(gain) on sale of sale of investments	-	(99,934)
Unrealized loss/(gain) on investments	(27,000)	(48,000)
Share-based compensation	376,000	-
Change in non-cash working capital:		
Accounts receivable	(25,824)	6,719
Prepaid expenses	56,324	(3,865)
Accounts payable and accrued liabilities	(2,196)	(59,135)
	<u>(974,969)</u>	<u>(725,700)</u>
Financing activities:		
Proceeds from issuance of shares	1,398,500	-
Share issue costs paid	(57,588)	-
Proceeds from exercise of options	50,800	-
Proceeds from exercise of warrants	34,400	-
	<u>1,426,112</u>	<u>-</u>
Investing activities:		
Purchase of plant and equipment	(60,856)	-
Mineral property acquisition costs	-	(25,000)
Proceeds from sale of mineral property interest	-	50,000
Proceeds from sale of investments	-	318,434
	<u>(60,856)</u>	<u>343,434</u>
Change in cash	390,287	(382,266)
Cash - beginning of period	1,399,801	838,900
Cash - end of period	\$ 1,790,088	\$ 456,634

- See Accompanying Notes -

Precipitate Gold Corp.
Consolidated Interim Statements of Changes in Equity
For the Nine Months Ended August 31, 2020 and 2019
Unaudited – Prepared by Management
In Canadian Dollars

	Share Capital		Reserves			Total \$
	Shares	Amount \$	Warrants \$	Options \$	Deficit \$	
Balance, November 30, 2018	75,692,575	11,873,485	1,462,291	1,402,447	(13,041,180)	1,697,043
Loss for the period	-	-	-	-	(193,985)	(193,985)
Shares issued for mineral property interests	7,000,000	875,000	-	-	-	875,000
Balance, August 31, 2019	82,692,575	12,748,485	1,462,291	1,402,447	(13,235,165)	2,378,058
Loss for the period	-	-	-	-	(351,703)	(351,703)
Private placement	10,174,820	1,322,727	-	-	-	1,322,727
Share issue costs	-	(22,834)	-	-	-	(22,834)
Relative fair value of warrants	-	(279,465)	279,465	-	-	-
Fair value of finders' fee warrants	-	(7,515)	7,515	-	-	-
Balance, November 30, 2019	92,867,395	13,761,398	1,749,271	1,402,447	(13,586,868)	3,326,248
Loss for the period	-	-	-	-	(1,352,273)	(1,352,273)
Private placement	12,713,636	1,398,500	-	-	-	1,398,500
Share issue costs	-	(57,588)	-	-	-	(57,588)
Exercise of options	560,000	50,800	-	-	-	50,800
Fair value of options exercised	-	42,172	-	(42,172)	-	-
Exercise of warrants	172,000	34,400	-	-	-	34,400
Fair value of warrants exercised	-	4,725	(4,725)	-	-	-
Share-based compensation	-	-	-	376,000	-	376,000
Balance, August 31, 2020	106,313,031	15,234,407	1,744,546	1,736,275	(14,939,141)	3,776,087

– See Accompanying Notes –

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

1. Nature of Operations and Going Concern

Precipitate Gold Corp. (the “Company”) was incorporated on January 31, 2011, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada and the Dominican Republic. The head office, principal address, and records office of the Company are located at 625 Howe Street, Suite 1020, Vancouver, British Columbia, V6C 2T6, Canada.

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At August 31, 2020, the Company had not achieved profitable operations, had an accumulated deficit and had working capital of \$1,911,233. Management estimates that the Company has sufficient financial resources to carry out currently planned exploration and operations through the next twelve months.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities. These consolidated interim financial statements do not give effect to adjustments, which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the financial statements.

2. Basis of Presentation

a) Statement of compliance

These condensed interim 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”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Approval of the Financial Statements

These consolidated condensed interim financial statements were approved and authorized for issue by the Board of Directors on October 29, 2020.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

2. Basis of Presentation - *Continued*

c) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its five wholly-owned subsidiaries: 1) 0945044 BC Ltd., incorporated in British Columbia, Canada, which owns 100% of Corporacion Minera San Juan, S.R.L. located in the Dominican Republic; 2) Minera Pendiente S.A. de C.V., incorporated and located in Mexico; e) Precipitate Dominicana S.R.L. located in the Dominican Republic, which owns 50% of Toro Negro Drilling, S.R.L. located in the Dominican Republic; and f) 1246871 BC Ltd. incorporated in British Columbia, Canada.

d) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated interim financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

e) Significant Accounting Policies

These unaudited condensed interim financial statements do not include all of the significant accounting policies required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read together with the audited financial statements for the year ended November 30, 2019 which in Note 3 detail all significant accounting policies adopted by the Company.

The Company's accounting policies have been applied consistently to all periods presented in these unaudited condensed interim financial statements.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

2. Basis of Presentation – Continued

f) Significant Accounting Policies Adopted

Property and equipment

Property and equipment is stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item consists of the purchase price, any costs of parts over \$5,000 directly attributable to bringing the asset to the condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Any other costs are expensed as incurred.

The Company amortizes the cost less estimated residual values on a straight-line method over the estimated useful life of the asset. The estimated useful lives of the assets are as follows:

Machinery and other equipment	10 years
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An asset is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of loss and comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

g) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: recoverability and impairment of mineral properties and valuation of share-based payments.

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

2. Basis of Presentation – Continued

g) Critical Accounting Judgments and Estimates – Continued

Recoverability of capitalized mineral property costs

The Company uses the cost model and the value of the mineral property interests is based on expenditures incurred, less any recoveries or impairment. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts and circumstances exist that suggests the carrying amount exceeds the recoverable amount.

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions and models used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 7.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment

Note 3 – functional currency

Note 4 – impairment of exploration and evaluation assets

3. Recent Accounting Pronouncements

The following standards and amendments to existing standards have been adopted by the Company effective December 1, 2018:

IFRS 9 *Financial Instruments* – The Company retrospectively adopted IFRS 9. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. Prior periods were not restated and there was no material impact to the Company's financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

3. Recent Accounting Pronouncements – Continued

The following standards and amendments to existing standards have been adopted by the Company effective December 1, 2018:

IFRS 9 *Financial Instruments* – The Company retrospectively adopted IFRS 9. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. Prior periods were not restated and there was no material impact to the Company's financial statements as a result of transitioning to IFRS 9. IFRS 9 introduced a revised model for classification and measurement, and while this has resulted in financial instrument classification changes, there were no quantitative impacts from adoption. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. There are no transitional impacts regarding financial liabilities in regards to classification and measurement.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15 *Revenue from Contracts with Customers* – establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. There was no impact on the financial statements as a result of adopting this standard.

The following standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning on or after January 1, 2019:

IFRS 16 *Leases* – This standard sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. It eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The Company has determined the impact of this new standard will be increased disclosure.

4. Mineral Properties

Acquisition Costs Summary

	Juan de Herrera and Escalibur Properties	Pueblo Grande and Ponton Properties	Total
Balance – November 30, 2018	\$ 898,068	\$ 5,930	\$ 903,998
Acquisition costs - cash	-	25,000	25,000
Acquisition costs - shares	-	875,000	875,000
Balance – November 30, 2019 and August 31, 2020	898,068	905,930	1,803,998

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

Exploration and Evaluation Expenditures Summary

For the Nine Months Ended August 31, 2020	Juan de Hererra and Escalibur Properties	Pueblo Grande and Artur Properties	Ponton Property	Total
Assay	\$ 28,356	\$ -	\$ 21,768	\$ 50,124
Camp and general	-	10,941	1,179	12,120
Consulting	12,501	22,509	20,244	55,254
Drilling	-	2,090	-	2,090
Field equipment and supplies	-	20,878	98	20,976
Foreign sales tax	1,644	2,912	-	4,556
Fuel	-	3,086	-	3,086
Geological consulting	3,750	122,641	65,063	191,454
Geophysics	-	7,532	9,520	17,052
Legal	-	324	-	324
Maps, orthophotos, and reports	499	2,492	3,324	6,315
Office	5,943	57,894	134	63,971
Salaries and benefit	-	2,750	-	2,750
Transportation	6,037	3,301	-	9,338
Travel, meals, and accommodation	-	7,973	-	7,973
Total exploration and evaluation costs	\$ 58,730	\$ 267,323	\$ 121,330	\$ 447,383

For the Nine Months Ended August 31, 2019	Island Zinc Property	Pueblo Grande and Artur Properties	Ponton Property	Total
Assay	\$ -	\$ -	\$ 35,815	\$ 35,815
Camp and general	-	294	13,478	13,772
Consulting	-	9,225	28,427	37,652
Field equipment and supplies	-	43	5,172	5,215
Foreign sales tax	-	3,786	4,055	7,841
Fuel	-	166	2,196	2,362
Geological consulting	-	12,554	145,461	158,015
Geophysics	-	-	7,432	7,432
Maps, orthophotos, and reports	-	147	44,257	44,404
Office	-	21,469	35,859	57,328
Salaries and benefit	-	3,121	1,470	4,591
Transportation	-	9,302	3,220	12,522
Travel, meals, and accommodation	-	932	7,943	8,875
Total exploration and evaluation costs	-	61,039	334,785	395,824
BC METC	(10,793)	-	-	-
Net exploration and evaluation costs (credit)	\$ (10,793)	\$ 61,039	\$ 334,785	\$ 395,824

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

a) Juan de Herrera and Escalibur Properties, Dominican Republic

The Company, through 0945044 BC Ltd., owns a 100% interest in the Juan de Herrera concession and the Los Pinalitos concession application (previously Hato Nuevo) (“Dominican Republic properties”) in the Dominican Republic through Corporacion Minera San Juan, S.R.L. (“CMSJ”), its wholly-owned subsidiary. The purchase was completed as follows:

- Paid cash totaling \$300,000
- Issued 3,517,242 common shares valued at \$550,000
- Incurred exploration expenditures of \$1,000,000

The properties are subject to a 3% NSR royalty from any base and precious metal commercial production. The Company may acquire 50% of the NSR royalty by paying \$2,000,000.

b) Pueblo Grande and Artur Properties, Dominican Republic

On October 24, 2018, the Company entered into a Purchase and Sale Agreement with Everton Resources Inc. and Everton Minera Dominican A SRL (“Everton”) to acquire a 100% interest in the Pueblo Grande property. To acquire 100% interest, the Company paid \$25,000 in cash and issued 7,000,000 common shares valued at \$875,000 (Note 7) of the Company subject certain resale restrictions for up to 3 years.

On January 9, 2020, The Company facilitated the sale and transfer of 4,500,000 common shares of the Company previously registered to Everton and transferred and re-registered the shares to a new shareholder group (the “Purchasers”). The Company has removed the re-sale restrictions on the 2,500,000 shares owned by Everton. The Company amended the re-sale restriction on the re-registered shares such that 1,500,000 of the Purchasers shares will be free-trading at transfer, 1,500,000 will be restricted from re-sale until April 9, 2020, and 1,500,000 will be restricted from re-sale until October 9, 2020.

Pre-existing advanced stage or mining-related commitments to a third party include (i) a sliding scale NSR royalty ranging from 1%, where gold is under US\$1,000/oz, to 2%, where gold is over US \$1,400/oz and (ii) sum of cash or shares valued at the greater of \$5,000,000 or the value of 5,000,000 common shares based on a 20 day VWAP, in the event a resource of 1,000,000 gold equivalent ounces or greater are delineated at certain grades and in various indicated and inferred categories.

On April 13, 2020 the Company signed a definitive earn-in agreement with Barrick Gold Corporation (“Barrick”) whereby Barrick has the right to earn a 70% interest in the Company’s Pueblo Grande Project by incurring a minimum US\$10.0 million in exploration expenditures and delivering a qualifying Pre-feasibility Study prior April 13, 2026. In addition, Barrick subscribed for 12,713,636 common shares of the Company in a private placement for gross proceeds of \$1,398,500 (Note 7).

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

b) Pueblo Grande and Artur Properties, Dominican Republic – Continued

In accordance with the terms of the Agreement, to earn a 70% interest in the Project, Barrick must (the “Earn-in Conditions”):

- Incur a minimum of US\$10.0 million in qualifying Work Expenditures before April 13, 2026 of the entering into of the Agreement as follows:
 - US\$2.0 million in aggregate before April 13, 2022, with a US\$1.0 million guaranteed minimum expenditure if Barrick elects to terminate the Agreement before April 13, 2022
 - US\$3.5 million in aggregate before April 13, 2023;
 - US\$5.0 million in aggregate before April 13, 2024;
 - US\$7.0 million in aggregate before April 13, 2025; and
 - US\$10.0 million in aggregate before April 13, 2026;
- Complete a minimum of 7,500 metres of drilling before April 13, 2026; and
- Deliver a qualifying Pre-Feasibility Study before April 13, 2026.

Shortfalls in required Work Expenditures may be paid by Barrick to Precipitate as cash in lieu to satisfy the Work Expenditures’ requirement. Barrick may at any time accelerate any or all of the Work Expenditures and excess Work Expenditures in any year shall apply against any future years’ obligations.

Upon satisfaction of the Earn-in Conditions and delivery of an exercise notice, Barrick and Precipitate will form a Joint Venture to be owned 70% by Barrick and 30% by Precipitate. At Precipitate’s election, which must be made within 120 days of the approval by the Joint Venture of a Feasibility Study, Barrick will be obligated to provide Precipitate’s portion of any debt financing or arrange for third party financing of Precipitate’s portion of any debt financing required to construct a mine on the Project described in the Feasibility Study in consideration for the transfer by Precipitate to Barrick of a 5% interest in the Joint Venture. Dilution of the Company’s interest in the Joint Venture below 10% will result in the conversion of Precipitate’s interest to a 1.5% NSR royalty on any concessions without pre-existing NSRs as of the date hereof, and a 1.0% NSR royalty on any concessions with pre-existing NSRs as of the date hereof, applicable to all recovered products.

c) Ponton Property, Dominican Republic

The Ponton Property was acquired 100% as part of the October 24, 2018 purchase-sale agreement with Everton Resources Inc., which subsequently closed on January 15, 2019 (see Note 4b)).

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended August 31, 2020 and 2019

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

d) Reef Property, Yukon

The Reef property is composed of mineral claims in the Yukon.

Effective March 25, 2019, the Company and Golden Predator Mining Corp. (“Golden Predator”) agreed to amend the terms of the Option Agreement by way of an amending agreement (the “Amending Agreement”). Under the terms of the Amending Agreement, to earn a 100% interest in the Reef Property Golden Predator must, among other things, complete staged cash payments, issuances of common shares and warrants as follows:

- d) Cash payments totalling \$600,000:
 - \$400,000 on February 9, 2017 (received)
 - \$150,000 on February 9, 2018 (received)
 - \$50,000 on or before June 30, 2019 (received)

- e) Common shares of Golden Predator:
 - 100,000 common shares on February 9, 2017 (received at a value of \$143,000)
 - 100,000 common shares on February 9, 2018 (received at a value of \$66,000)
 - 950,000 common shares on or before April 1, 2019 (received at a value of \$218,500)

- f) Warrants of Golden Predator:
 - 100,000 warrants on February 9, 2017 at exercise price of \$1.59 per share with a 3 year term (received)
 - 100,000 warrants on February 9, 2018 at an exercise price of \$2.00 per share with a 3 year term (received)
 - 450,000 warrants on or before April 1, 2019 at an exercise price of \$0.40 per share with a 4 year term (received)

Golden Predator granted the Company a 2% net smelter return (“NSR”) royalty on the claims that are not subject to a pre-existing royalty, and a 1% NSR royalty on claims that are subject to a pre-existing royalty. Golden Predator may purchase 25% of the Company’s NSR royalty at any time for \$1,000,000 and an additional 25% of the Company’s NSR royalty at anytime for \$1,500,000.

In addition, if Golden Predator at any time after the exercising the right to a 100% interest in Reef, elects to abandon any one or more of the claims, Golden Predator must provide the Company 30 days advanced written notice of its intention to abandon the claims. Upon receipt of such notice the Company may, within 30 days of receipt of notice, request assignment of such claims and Golden Predator will re-transfer such title to the Company at Golden Predator’s expense. For greater certainty, any NSR royalty payable by Golden Predator to the Company with respect to such abandoned claims will be void and no longer payable.

Precipitate Gold Corp.

Notes to the Condensed Interim Financial Statements

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4. Mineral Properties – Continued

d) Reef Property, Yukon – Continued

During the year ended November 30, 2019, the Company recorded \$310,500 of gain on sale of the Reef property, which consists of the \$50,000 of cash, 950,000 common shares of Golden Predator valued at \$218,500 (Note 5) and 450,000 warrants of Golden Predator valued at \$42,000 (Note 5).

On May 26, 2020 Golden Predator announced the closing of the sale of a 100% interest in Golden Predator's 3 Aces Property, which includes the Company's Reef property, to Seabridge Gold.

5. Investments

Management has determined it appropriate to record the common shares and warrants of Golden Predator (see Note 4) as financial assets at fair value through profit or loss. The initial investment of common shares was recorded at cost and the initial investment of warrants was recorded using the Black-Scholes option pricing model. The Company revalues the common shares and warrants at each reporting period. Any changes in the fair value of the common shares and warrants is recorded as unrealized gain or loss on investments until the common shares or warrants are sold or impaired for an extended period, at which point any gains and losses recorded to date will be recognized as gain or loss on investments.

	Common shares	Warrants	Total
Balance as at November 30, 2018	\$ -	\$ -	\$ -
Acquisition	218,500	42,000	260,500
Sale of common shares	(318,434)	-	(318,434)
Gain on sale of investments	99,934		99,934
Change in fair value	-	9,000	9,000
Balance as at November 30, 2019	-	51,000	51,000
Change in fair value	-	27,000	27,000
Balance as at August 31, 2020	\$ -	\$ 78,000	\$ 78,000

The fair value of the warrants was based on the Black-Scholes valuation model using the following inputs:

	Nine months ended August 31, 2020	Year ended November 30, 2019
Risk-free interest rate	0.25%	1.51% – 1.74%
Expected life of options	0.42 – 2.58 years	0.31 – 3.34 years
Expected annualized volatility	81.87 – 86.12%	74.88 – 83.71%
Expected dividend rate	0%	0%

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6. Property and Equipment

During the nine months ended August 31, 2020, the Company acquired several drills and related equipment through a partnership with GoldQuest Mining Corp. (“GoldQuest”). The equipment was purchased for \$105,928, of which GoldQuest and the Company each paid \$52,964. During the nine months ended August 31, 2020, the Company incurred an additional \$7,892 of equipment costs which was capitalized to property and equipment, \$96,926 of repairs and maintenance, \$3,832 of consulting costs, and \$7,735 of warehouse rent relating to the equipment. No depreciation has been recorded as the equipment is not yet in operation.

7. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

b) Issued Share Capital

Share transactions for the nine months ended August 31, 2020:

- (i) On April 17, 2020, the Company issued 12,713,636 common shares to Barrick as part of an Earn-In agreement (Note 4) for gross proceeds of \$1,398,500.
- (ii) During the nine months ended August 31, 2020, 560,000 common shares were issued from the exercise of stock options for gross proceeds of \$50,800.
- (iii) During the nine months ended August 31, 2020, 172,000 common shares were issued from the exercise of warrants for gross proceeds of \$34,400.

Share transactions for the year ended November 30, 2019:

- (ii) On November 6, 2019, the Company completed a private placement of 10,174,820 units at \$0.13 per unit for gross proceeds of \$1,322,727. Each unit consisted of one common share and one half share warrant. Each whole warrant entitles the holder to purchase an additional common share at \$0.20 per share until November 6, 2021. Of the proceeds, \$1,043,262 was allocated to share capital and \$279,465 was allocated to warrants based on their relative fair value.

The Company paid finders' fee of \$13,026, issued 100,200 finders' fee warrants valued at \$7,515 and paid \$9,808 of share issuance costs relating to the private placement.

- (iii) On January 15, 2019, the Company issued 7,000,000 common shares valued at \$875,000 for the Pueblo Grande property (Note 4).

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7. Shareholders' Equity – Continued

c) Warrants

Details of warrant activity for the nine months ended August 31, 2020 and the year ended November 30, 2019 are as follows:

November 30, 2018	Issued	November 30, 2019	Exercised	August 31, 2020	Exercise Price	Expiry Date
-	5,187,610	5,187,610	(172,000)	5,015,610*	\$0.20	November 6, 2021

*Subsequent to August 31, 2020, 20,000 of warrants were exercised.

The following weighted average assumptions were used in calculating the fair value of warrants issued in the nine months ended August 31, 2020 and the year ended November 30, 2019:

	Nine months ended August 31, 2020	Year ended November 30, 2019
Stock price volatility	119.35%	119.35%
Risk-free interest rate	1.77%	1.77%
Expected life of warrants	2 years	2 years
Expected dividend yield	0.00%	0.00%

c) Share Options

The Company has a rolling share option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's shares calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's share option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule at its discretion.

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7. Shareholders' Equity – Continued

c) Share Options – Continued

Details of activity in share purchase options for nine months ended August 31, 2020 and the year ended November 30, 2019 are as follows:

November 30, 2019	Issued	Exercised	Expired Unexercised	August 31, 2020	Exercise Price	Expiry Date
1,200,000	-	(150,000)	-	1,050,000	\$0.12	March 4, 2021
1,170,000	-	-	(75,000)	1,095,000	\$0.25	October 13, 2021
3,075,000	-	(410,000)	-	2,665,000	\$0.08	November 20, 2023
-	2,670,000	-	-	2,670,000	\$0.15	May 25, 2025
-	125,000	-	-	125,000	\$0.20	July 15, 2025
5,445,000	2,795,000	(560,000)	(75,000)	7,605,000	\$0.13	

November 30, 2018	Issued	Exercised	Expired Unexercised	November 30, 2019	Exercise Price	Expiry Date
510,000	-	-	(510,000)	-	\$0.20	April 14, 2019
1,200,000	-	-	-	1,200,000	\$0.12	March 4, 2021
1,170,000	-	-	-	1,170,000	\$0.25	October 13, 2021
3,075,000	-	-	-	3,075,000	\$0.08	November 20, 2023
5,995,000	-	-	(510,000)	5,445,000	\$0.13	

During the nine months ended August 31, 2020, the Company granted 2,670,000 share options to its directors, officers and consultants, with a fair value of \$341,000. All options vested immediately. The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options issued in the nine months ended August 31, 2020:

Risk-free interest rate	0.36%
Expected life of options	5.00 years
Expected annualized volatility	128.76%
Expected dividend rate	0%

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8. Segmented Information – Continued

a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada and the Dominican Republic.

b) Geographic Segments

The Company's geographic information as at August 31, 2020 and November 30, 2019 are as follows:

As at August 31, 2020	Canada	Dominican Republic	Mexico	Total
<u>Assets</u>				
Property and equipment	\$ -	\$ 60,856	\$ -	\$ 60,856
Mineral properties	-	1,803,998	-	1,803,998
Other assets	1,902,630	41,167	6,137	1,949,934
Total	\$ 1,902,630	\$ 1,906,021	\$ 6,137	\$ 3,814,788

As at November 30, 2019	Canada	Dominican Republic	Mexico	Total
<u>Assets</u>				
Mineral properties	\$ -	\$ 1,803,998	\$ -	\$ 1,803,998
Other assets	1,516,292	40,186	6,669	1,563,147
Total	\$ 1,516,292	\$ 1,844,184	\$ 6,669	\$ 3,367,145

9. Related Party Transactions

Key management personnel consist of directors and senior management including the President, Chief Executive Officer, Vice President of Exploration and Chief Financial Officer. Key management personnel compensation for the nine months ended August 31, 2020 and 2019 includes:

	2020	2019
Salaries and wages	\$ 116,250	\$ 116,250
Consulting	626	-
Geological consulting	107,000	74,200
Property investigation costs	7,500	4,800
Accounting expense	13,500	49,500
Share-based compensation expense	286,082	-
	\$ 530,958	\$ 141,500

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9. Related Party Transactions – Continued

The accounts payable and accrued liabilities of the Company as at August 31, 2020 and as at November 30, 2019 include the following amounts due to related parties:

	August 31, 2020	November 30, 2019
Key management personnel	\$ 16,272	\$ -

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

11. Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2: Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3: Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of cash, amounts receivable, and accounts payables and accrued liabilities approximates their carrying value due to their short term maturity. Cash is measured using level 1 of the fair value hierarchy. Investment in Golden Predator warrants is measured using level 3 of fair value hierarchy (Note 5).

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11. Financial Instruments – Continued

a) Management of Risks Arising From Financial Instruments

The Company is exposed to various types of market risks including credit risk, liquidity risk, interest rate risk and commodity price risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

(i) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

(ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with a major Canadian financial institution and the receivables are due from Government entities. Management is of the view that all amounts are fully collectible.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

(iv) Political Risk

The Company has subsidiaries in the Dominican Republic, the United States and Mexico. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

(v) Foreign Currency Fluctuation Risk

The Company has vendors in Canada, the United States, the Dominican Republic and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions. The Company's exposure to foreign currency fluctuations is minimal.

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12. Subsequent Events

- a) Subsequent to August 31, 2020, 20,000 warrants were exercised for \$4,000.
- b) Subsequent to August 31, 2020, the Company issued 75,000 options to a consultant of the Company at an exercise price of \$0.28 per share which will be excisable until October 21, 2025.