



**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2020

**(UNAUDITED - EXPRESSED IN CANADIAN
DOLLARS)**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed consolidated financial statements of Treasury Metals Inc. were prepared by management in accordance with International Financial Reporting Standards. The most significant of these standards have been set out in the Note 2 of these interim condensed consolidated financial statements. Any applicable changes in accounting policies have also been disclosed in these financial statements. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities and for reviewing and approving the financial statements together with other financial information. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the period end financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate control over its financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at September 30, 2020.

CONCLUSION RELATING TO DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officers, of the effectiveness of the Company's disclosure controls and procedures as defined in the National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at September 30, 2020.

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	September 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 7,542,641	\$ 1,636,845
Accounts receivable and prepaid expenses (Note 5)	820,953	259,281
Investments - current (Note 6)	696,552	40,220
	<u>9,060,146</u>	<u>1,936,346</u>
Non-current investments (Note 6)	562,500	-
Property and equipment (Note 7)	2,508,610	2,426,357
Mineral properties and related deferred costs (Note 8)	172,282,198	80,090,994
	<u>\$ 184,413,454</u>	<u>\$ 84,453,697</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 1,988,156	\$ 1,347,719
Short-term debt and current portion of long-term debt (Note 11)	7,301	28,350
Non-cash derivative liability (Note 11)	4,474,991	1,939,648
Unrenounced flow-through share premium	-	447,160
	<u>6,470,448</u>	<u>3,762,877</u>
Long-term debt (Note 11)	5,123,092	4,822,668
Deferred tax liability	3,165,685	2,977,900
	<u>14,759,225</u>	<u>11,563,445</u>
Shareholders' Equity		
Capital stock (Note 12)	187,802,243	97,640,878
Contributed surplus (Note 13) & (Note 14)	22,933,576	11,108,238
Deficit	(40,651,170)	(35,586,509)
Accumulated other comprehensive loss	(430,420)	(272,355)
	<u>169,654,229</u>	<u>72,890,252</u>
	<u>\$ 184,413,454</u>	<u>\$ 84,453,697</u>

Nature of Operations and Going Concern (Note 1)
 Commitments and Contractual Obligations and Contingencies (Note 17)

SIGNED ON BEHALF OF THE BOARD

(Signed) "Marc Henderson"
 Director

(Signed) "Flora Wood"
 Director

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses				
Administrative, office and shareholder services	\$ 275,167	\$ 274,664	\$ 910,702	\$ 872,840
Professional fees	133,531	88,407	192,546	148,195
Salary and benefits	300,546	201,584	616,545	486,786
Stock-based compensation (Note 14)	50,259	53,092	281,729	167,389
Accretion and amortization of long-term debt transaction costs (Note 11)	69,822	115,652	183,830	306,500
Interest and financing costs	177,310	130,464	485,954	407,323
Foreign exchange loss (gain)	(110,263)	61,086	117,387	(132,332)
Fair value loss (gain) in non-cash derivative liability (Note 11)	(361,815)	827,360	2,535,343	337,692
	<u>534,557</u>	<u>1,752,309</u>	<u>5,324,036</u>	<u>2,594,393</u>
Loss before income taxes	(534,557)	(1,752,309)	(5,324,036)	(2,594,393)
Deferred income tax recovery	-	-	259,375	61,364
Net loss for the period	\$ (534,557)	\$ (1,752,309)	\$ (5,064,661)	\$ (2,533,029)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.08)	\$ (0.05)
Weighted average number of shares outstanding	88,805,071	53,190,085	67,443,105	49,916,658

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net loss for the period	\$ (534,557)	\$ (1,752,309)	\$ (5,064,661)	\$ (2,533,029)
Other comprehensive income (loss)				
Unrealized loss on equity investments, net of taxes (Note 6)	(80,258)	(36,318)	(72,340)	(37,914)
Realized loss on sale of FVTOCI investments	-	-	(747)	-
Cancellation of Platinex Inc. warrants (Note 6)	(84,978)	-	(84,978)	-
Other comprehensive income (loss) for the period	(165,236)	(36,318)	(158,065)	(37,914)
Total comprehensive loss for the period	\$ (699,793)	\$ (1,788,627)	\$ (5,222,726)	\$ (2,570,943)

TREASURY METALS INC.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

	Common Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensiv e Loss	Total
Balance, January 1, 2019	48,363,334	\$ 93,119,530	\$ 9,623,143	\$ (30,743,664)	\$ (242,626)	\$ 71,756,383
Units issued for cash in private placements	2,964,751	2,134,621	-	-	-	2,134,621
Flow-through issued for cash in private placements	1,828,667	1,371,500	-	-	-	1,371,500
Share issue cash costs	-	(234,062)	-	-	-	(234,062)
Issuance of compensation warrants	-	(14,457)	14,457	-	-	-
Issuance of warrants (Note 13)	-	(758,784)	758,784	-	-	-
Shares issued with respect to a services agreement	33,333	29,000	-	-	-	29,000
Warrants issued with respect to term loan	-	-	80,265	-	-	80,265
Unrenounced flow-through shares premium	-	(168,357)	-	-	-	(168,357)
Stock-based compensation	-	-	234,128	-	-	234,128
Net loss for the period	-	-	-	(2,533,029)	-	(2,533,029)
Other comprehensive loss	-	-	-	-	(37,914)	(37,914)
Balance, September 30, 2019	53,190,085	\$ 95,478,991	\$ 10,710,777	\$ (33,276,693)	\$ (280,540)	\$ 72,632,535
Flow-through issued for cash in private placements (Note 12)	3,386,225	2,895,223	-	-	-	2,895,223
Share issue cash costs (Note 12)	-	(269,568)	-	-	-	(269,568)
Issuance of compensation warrants (Note 13)	-	(39,682)	39,682	-	-	-
Issuance of warrants (Note 13)	-	(145,283)	145,283	-	-	-
Unrenounced flow-through shares premium	-	(278,803)	-	-	-	(278,803)
Stock-based compensation (Note 13)	-	-	212,496	-	-	212,496
Net loss for the period	-	-	-	(2,309,816)	-	(2,309,816)
Other comprehensive income	-	-	-	-	8,185	8,185
Balance, December 31, 2019	56,576,310	\$ 97,640,878	\$ 11,108,238	\$ (35,586,509)	\$ (272,355)	\$ 72,890,252
Units issued for cash in private placements (Note 12)	10,666,666	11,520,000	-	-	-	11,520,000
Issued with respect to assets acquisition (Note 9)	43,333,333	79,300,000	9,866,502	-	-	89,166,502
Share issue costs (Note 12)	-	(1,325,593)	-	-	-	(1,325,593)
Issuance of compensation warrants (Note 13)	-	(541,506)	541,506	-	-	-
Issuance of warrants (Note 13)	-	(1,530,456)	1,530,456	-	-	-
Stock options exercised (Note 14)	1,538,268	1,843,495	-	-	-	1,843,495
Fair value of stock options exercised (Note 14)	-	385,112	(385,112)	-	-	-
Warrants exercised (Note 13)	417,131	420,224	-	-	-	420,224
Fair value of warrants exercised (Note 13)	-	90,089	(90,089)	-	-	-
Stock-based compensation (Note 14)	-	-	362,075	-	-	362,075
Net loss for the period	-	-	-	(5,064,661)	-	(5,064,661)
Other comprehensive loss	-	-	-	-	(158,065)	(158,065)
Balance, September 30, 2020	112,531,708	\$ 187,802,243	\$ 22,933,576	\$ (40,651,170)	\$ (430,420)	\$ 169,654,229

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

On August 11, 2020, the Company effected a 1-for-3 reverse stock split. Shares have been retroactively restated.

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Cash and cash equivalents (used in) provided by:				
Operating Activities				
Net loss for the period	\$ (534,557)	\$(1,752,309)	\$ (5,064,661)	\$ (2,533,029)
Adjustments for:				
Deferred income tax recovery	-	-	(259,375)	(61,364)
Stock-based compensation	50,259	53,092	281,729	167,389
Accretion and amortization of long-term debt transaction costs (Note 11)	69,822	115,652	183,830	306,500
Fair value change in non-cash derivative liability	(361,815)	827,360	2,535,343	337,692
Foreign exchange on long-term debt (Note 11)	(110,173)	55,114	121,896	(132,588)
Net change in non-cash working capital items:				
Accounts receivable and prepaid expenses	(512,055)	148,019	(355,683)	91,037
Accounts payable and accrued liabilities (Note 9)	12,855	(520,374)	315,202	(778,755)
Net cash used in operating activities	(1,385,664)	(1,073,446)	(2,241,719)	(2,603,118)
Financing Activities				
Private placements, net of issue costs (Note 12)	10,194,407	(5,850)	10,194,407	3,272,059
Proceeds from sale of investments	-	-	15,090	-
Proceeds from the exercise of options	1,645,425	-	1,645,425	-
Proceeds from the exercise of warrants	251,815	-	420,224	-
Proceeds from short-term loans, net of commitment fees (Note 11)	-	-	705,000	-
Payments of short-term loans and interest (Note 11)	(779,765)	-	(779,765)	-
Long-term debt repayments	(8,888)	(10,538)	(26,352)	(25,134)
Cash cost of debt amendment (Note 11)	-	(79,682)	-	(79,682)
	11,302,994	(96,070)	12,174,029	3,167,243
Investing Activities				
Purchase of investments	(150,000)	-	(175,950)	-
Cash used in assets acquisition	(1,917,774)	-	(1,917,774)	-
Acquisition of property and equipment	(3,091)	-	(3,091)	(163,267)
Acquisition of mineral properties and related deferred costs	(528,992)	(876,747)	(1,929,699)	(2,402,915)
	(2,599,857)	(876,747)	(4,026,514)	(2,566,182)
Increase (decrease) in cash and cash equivalents	7,317,473	(2,046,263)	5,905,796	(2,002,057)
Cash and cash equivalents, beginning of the period	225,168	2,443,730	1,636,845	2,399,524
Cash and cash equivalents, end of the period	\$ 7,542,641	\$ 397,467	\$ 7,542,641	\$ 397,467

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Supplementary cash flow information				
Changes in non-cash activities:				
Fair value of shares and warrants issued for assets acquisition (Note 9)	<u>\$ 89,166,502</u>	<u>\$ -</u>	<u>\$ 89,166,502</u>	<u>\$ -</u>
Warrants issued on debt terms changes (Note 11)	<u>\$ -</u>	<u>\$ 60,300</u>	<u>\$ -</u>	<u>\$ 60,300</u>
Shares issued with respect to a services agreement (Note 12)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,000</u>
Stock-based compensation capitalized to mineral properties and related deferred costs (Note 14)	<u>\$ 15,032</u>	<u>\$ 21,188</u>	<u>\$ 80,346</u>	<u>\$ 66,739</u>
Amortization capitalized to mineral properties and related deferred costs (Note 7)	<u>\$ 147,486</u>	<u>\$ 11,793</u>	<u>\$ 171,980</u>	<u>\$ 35,379</u>
Fair value of shares and warrants received on sale of assets (Note 8)	<u>\$ 1,216,038</u>	<u>\$ -</u>	<u>\$ 1,216,038</u>	<u>\$ -</u>
Compensation warrants issued on private placement (Note 13)	<u>\$ 541,506</u>	<u>\$ -</u>	<u>\$ 541,506</u>	<u>\$ -</u>

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada. The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the properties and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity) to fund the Company's planned operations and development of the Goliath Gold Project.

The interim condensed consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue its operations 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 has not generated revenue from operations. At September 30, 2020, the Company had a working capital of \$7,064,689 (December 31, 2019 – \$560,277) excluding the non-cash unrenounced flow-through share premium liability and the non-cash derivative liability. For the period ended September 30, 2020, the Company incurred a net loss of \$5,064,661 (2019 - \$2,533,029), had cash outflow from operations of \$2,241,719 (2019 - \$2,603,118) has not yet achieved profitable operations, had accumulated losses of \$40,651,170 (December 31, 2019 - \$35,586,509) and expects to incur further losses in the development of its business. Should the Company be unable to raise sufficient financing to maintain operations, the Company may be unable to realize the carrying value of its net assets. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These interim condensed consolidated financial statements do not reflect the adjustments to carrying amounts of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries, or on its ability to raise capital to fund operations, in future periods. While the Company's operations have not been significantly impacted by the COVID19 outbreak, it is not possible to reliably estimate the ongoing effect on the Company's operation.

On October 30, 2020, the Board of Directors approved the interim condensed consolidated financial statements for the periods ended September 30, 2020 and 2019.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and do not include all the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019 which includes the information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as Note 2 in the audited consolidated financial statements for the year ended December 31, 2019, and have been consistently applied in the preparation of these interim condensed consolidated financial statements.

Principles of Consolidation

The interim condensed consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully interim condensed consolidated from the date control is transferred to the Company, and are no longer interim condensed consolidated on the date control ceases.

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries Goldeye Explorations Ltd., Silvereye Explorations Ltd, Tamaka Gold Corp. and Goldlund Resources Inc.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the interim condensed consolidated financial statements.

Basis of Preparation

These interim condensed consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly owned Canadian subsidiaries.

The financial statements are prepared on the historical cost basis except for financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

The accounting policies have been applied consistently to the periods presented in the interim condensed consolidated financial statements and for the year ended December 31, 2019, excepted as noted below; the policies are detailed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2019.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reverse Stock Split

On August 11, 2020, the Company effected a 1-for-3 reverse stock split of its common stock. On the effective date of the reverse stock split, (i) each 3 shares of the outstanding common stock were reduced to one share of common stock; (ii) the number of shares of common stock into which each outstanding warrant or option to purchase common stock is exercisable were proportionately reduced on a 3-to-1 basis; and (iii) the exercise price of each outstanding warrant or option to purchase common stock was proportionately increased on a 1-to-3 basis. All of the share numbers, share prices, and exercise prices have been adjusted, on a retroactive basis, to reflect this 1-for-3 reverse stock split. Also, all notes disclosures related to the quantity or unit value of issued or exercised shares, options and warrants, including loss per share and the input variables to calculate the Black-Scholes valuations have been retroactively adjusted for all periods presented to give effect to this reverse stock split.

Asset Acquisition / Business Combination

In accordance with *IFRS 3 - Business Combination*, a transaction is recorded as a business combination if the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. Where there are no such integrated activities, the transaction is treated as an asset acquisition. The acquisition of Tamaka Gold Corporation as further described in Note 9 was recorded as an asset acquisition whereby the cost of the net assets acquired was allocated to the fair value of the identifiable assets acquired.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. The estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are detailed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019.

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	September 30, 2020	December 31, 2019
Cash	\$ 7,505,836	\$ 1,606,845
Funds in trust	6,805	-
Cashable GIC	30,000	30,000
	\$ 7,542,641	\$ 1,636,845

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	September 30, 2020	December 31, 2019
Prepaid expenses and other advances	\$ 264,266	\$ 135,509
Other receivables	198,070	-
Harmonized sales tax	358,410	123,711
Due from Cypherpunk Holdings Inc. (Note 15)	207	61
	\$ 820,953	\$ 259,281

6. INVESTMENTS

The Company's investments are classified as fair value through other comprehensive income ("FVTOCI") and are carried at fair value. The balance is comprised of the following:

	Number of Shares	September 30, 2020	Number of Shares	December 31, 2019
Millrock Resources Inc. - Shares	147,778	\$ 19,211	147,778	\$ 24,383
Platinex Inc. - Shares	16,500,000	990,000	-	-
Platinex Inc. - Consideration Warrants	2,000,000	110,503	-	-
Platinex Inc. - Secondary Warrants	3,000,000	139,338	-	-
Zinc One Resources Inc. - Shares	-	-	552,036	8,281
Goldgroup Mining Inc. - Shares	-	-	377,775	7,556
Total investments		\$ 1,259,052		\$ 40,220
Less: Non-current investments		\$ (562,500)		\$ -
Investments - current		\$ 696,552		\$ 40,220

As is described in Note 8, on July 15, 2020, the Company sold to Platinex Inc. the mining claims located in the Shining Tree District and three net smelter royalties. In consideration Platinex issued to Treasury 12,500,000 Consideration Shares and 5,000,000 Consideration Warrants. Each Consideration Warrant entitles Treasury to purchase one common share of Platinex at a price of \$0.05 per share for a period of 24 months from the date of issue. If the Consideration Warrants are exercised on or before September 1, 2020, Treasury is entitled to receive an additional non-transferable common share purchase warrant (a "Secondary Warrant") for each Consideration Warrant exercised. Each Secondary Warrant entitles Treasury to purchase one common share of Platinex at a price of \$0.20 per share for a period of 24 months from the date of the closing of the transaction. Subsequently, on September 1, 2020, Treasury exercised 3,000,000 Consideration Warrants under such terms receiving 3,000,000 Secondary Warrants. The 2,000,000 of cancelled Secondary Warrants with a fair value of \$84,978 were recorded in the net comprehensive loss account.

The Consideration Shares are placed in a voluntary escrow agreement, with 25% (3,125,000 Consideration Shares) to be released on the 12th, 15th, 18th and 24th month anniversaries of the closing of the transaction; accordingly, the shares to be released after the 12th month anniversary are presented as non-current investments. At September 30, 2020, the remaining 2 million Consideration Warrants and 3 million Secondary Warrants were assigned a fair value of \$110,503 and \$139,338, respectively, using the Black-Scholes option pricing model with the following assumptions: share price \$0.065, dividend yield 0%, expected volatility, based on historical volatility 204.3%, a risk free interest rate of 0.25% and an expected life of 1.8 years.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2020	\$ 1,496,909	\$ 1,183,512	\$ 164,983	\$ 143,181	\$ 2,988,585
Additions (i)	-	85,404	165,829	3,000	254,233
At September 30, 2020	\$ 1,496,909	\$ 1,268,916	\$ 330,812	\$ 146,181	\$ 3,242,818
Accumulated amortization					
At January 1, 2020	\$ -	\$ (299,593)	\$(130,748)	\$ (131,887)	\$ (562,228)
Amortization for the period (i)	-	(57,118)	(108,002)	(6,860)	(171,980)
At September 30, 2020	\$ -	\$ (356,711)	\$(238,750)	\$ (138,747)	\$ (734,208)
Net book value at September 30, 2020	\$ 1,496,909	\$ 912,205	\$ 92,062	\$ 7,434	\$ 2,508,610

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2019	\$ 1,456,092	\$ 1,061,062	\$ 164,983	\$ 143,181	\$ 2,825,318
Additions	40,817	122,450	-	-	163,267
At December 31, 2019	\$ 1,496,909	\$ 1,183,512	\$ 164,983	\$ 143,181	\$ 2,988,585
Accumulated amortization					
At January 1, 2019	\$ -	\$ (265,312)	\$(122,188)	\$ (125,107)	\$ (512,607)
Amortization for the period	-	(34,281)	(8,560)	(6,780)	(49,621)
At December 31, 2019	\$ -	\$ (299,593)	\$(130,748)	\$ (131,887)	\$ (562,228)
Net book value at December 31, 2019	\$ 1,496,909	\$ 883,919	\$ 34,235	\$ 11,294	\$ 2,426,357

(i) Current year additions include the fair value of the property and equipment purchased in the acquisition of Tamaka Gold Corporation described in Note 9. The detail of the property and equipment purchased is as follows:

	Building	Furniture and equipment	Vehicles	Total
Cost	\$ 85,404	\$ 162,738	\$ 3,000	\$ 251,142
Accumulated amortization	(28,466)	(94,794)	(1,625)	(124,885)
Fair value of the purchased property and equipment	\$ 56,938	\$ 67,944	\$ 1,375	\$ 126,257

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As at September 30, 2020 and December 31, 2019, the accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1, 2020	Additions net of recoveries	Balance September 30, 2020
Goliath Gold Project	\$ 75,279,523	\$ 1,832,078	\$ 77,111,601
Goldlund Gold Project (i)	-	91,526,923	91,526,923
Weebigee Project (ii)	3,923,735	(1,167,797)	2,755,938
Lara Polymetallic Project - BC	887,736	-	887,736
	\$ 80,090,994	\$ 92,191,204	\$ 172,282,198

(i) The current year additions include \$91,350,101 of fair value of the mineral properties and related deferred costs at the acquisition of Tamaka Gold Corporation described in Note 9.

(ii) During the period, the Company sold the mining claims located in the Shining Tree District in Northern Ontario and three net smelter royalties. See more details under the Shining Tree Project sub title of this Note.

	Balance January 1, 2019	Additions net of recoveries	Balance December 31, 2019
Goliath Gold Project	\$ 71,904,327	\$ 3,375,196	\$ 75,279,523
Weebigee Project	3,717,629	206,106	3,923,735
Lara Polymetallic Project - BC	882,005	5,731	887,736
	\$ 76,503,961	\$ 3,587,033	\$ 80,090,994

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in northwestern Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

The Goliath Gold Project, prior to claim conversion as part of the third phase of the Ontario Ministry of Northern Development and Mines' Mining Act Modernization process, consisted of 126 contiguous unpatented mining claims and 23 patented land parcels. The Company converted 11 mining claims into 3 mining leases during 2016 resulting in the decrease of the mining claims from 137 to 126. Post conversion, the project consists of 240 single cell mining claims and 30 boundary cell mining claims. Patented land and mining leases remain unaffected by the claim conversion process. The total area of the project is approximately 5,049 hectares (~50 km²) covering portions of Hartman and Zealand townships. The project comprises three historic properties which are now consolidated into one property: the larger Thunder Lake Property, the Laramide Property transferred in 2007 to the Company from Laramide Resources Ltd. ("Laramide"), and the Brisson Property acquired in 2009. The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 13 of the 23 patented land parcels totaling approximately \$105,000 per year.

On August 19, 2019, the CEEA issued a positive statement for the Goliath Gold Project announcing that proposed Goliath Gold Project may proceed. This decision means that Treasury Metals Inc. can now focus on the remaining technical studies and permitting, and to prepare for a future construction decision.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

On October 17, 2018 the Company provided an updated National Instrument 43101 Mineral Resource Estimate on Goliath Gold Project. The 2018 Mineral Resource Estimate is an update to the NI 43101 Mineral Resource Estimate previously released on August 28, 2015.

An updated Preliminary Economic Assessment ("PEA") was completed and the results announced in March 2017.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide Resources Ltd., a related party company, a 100% interest in certain parcels of land, including surface and mineral rights totaling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the "Laramide Property"). This interest is subject to a 2.0 - 2.5% net smelter returns ("NSR") retained by the owners.

Thunder Lake Property, Ontario

In 2007, the Company and Laramide Resources Ltd. finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona's and Teck's respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the "Thunder Lake Property").

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company made option payments totaling \$100,000 and issued common shares of the Company equal to \$100,000 based on the market price at the date of issue.

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide Resources Ltd. a 100% interest in the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project comprises 59 mineral claims covering approximately 6,392 hectares (~64 km²) at September 30, 2020.

The Company is committed to a 1.0% NSR, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 of the mineral claims, historically known as the Chemainus claims, located on Vancouver Island.

In early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. At present, the Company has renewed the mining leases of the most significant areas of this property. The expenditures are mainly related to the property renewals; there was no work done on the property.

Goldeye Explorations

On November 24, 2016, the Company closed the acquisition of all of the issued and outstanding common shares of Goldeye Explorations Limited ("Goldeye") a public company that holds certain properties.

Goldeye consists of three projects, the Weebigee Project, Sandy Lake, the West Shining Tree Project, Larder Lake Mining Division, Ontario, and the Gold Rock Project, Kenora Mining Division, Ontario. Also included in Goldeye are NSR interests in Sonia-Puma NSR, Region V, Chile; McFaulds Lake NSR, Thunder Bay Mining Division, Ontario; and MacMurchy Township NSR, Larder Lake Mining Division, Ontario.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

The principal asset of Goldeye is the Weebigee Project in Northwestern Ontario and all of the consideration paid in the Goldeye's acquisition was allocated to the Weebigee Project. The Company decided not to renew the Van Hise Project claims which expired in July 2017. Van Hise was not considered a strategic nor valuable project at the time of the Goldeye acquisition transaction; therefore, no charge to operations has been recorded by the Company.

Weebigee Project

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario. The Company holds a 100% interest in the property through its wholly owned subsidiary Goldeye, which comprises 225 claims. Certain claims are subject to a 2% net smelter return ("NSR") that is held by a former director of Goldeye. On November 12, 2013, the Company entered into an exploration agreement with Sandy Lake First Nations ("SLFN") with respect to the Company's exploration of the Weebigee Project. This exploration agreement was renewed for a two-year period on the same terms commencing on November 12, 2014 and again on November 12, 2016 and in November 15, 2018 was renewed for a further one year. A further renewal is being worked out but there is a delay due to COVID 19 outbreak.

On April 15, 2015, Goldeye entered into an option agreement (the "GPM Option Agreement") with GPM Metals Inc. ("GPM") whereby GPM has an option to earn a 50.1% interest in the Weebigee Project by paying a total of \$550,000 in cash (\$50,000, \$100,000, \$150,000 and \$250,000 received in 2015, 2016, 2017 and 2018, respectively) and \$25,000 in shares (issued in 2015) to Goldeye over a period of four years. GPM must also complete a minimum of \$5,000,000 in exploration expenditures over a four-year term. In addition, if the first option is exercised, GPM will have the option to earn an additional 19.9% interest by either funding a bankable feasibility study, or at GPM's option, paying Goldeye an additional \$1,500,000 in cash and completing a minimum additional \$3,000,000 in exploration expenditures over the next two years. The GPM Option Agreement is subject to the terms of the exploration agreement signed between Goldeye and GPM on November 12, 2013. In July 2016, GPM sold its interest in the Weebigee property to Sandy Lake Gold Inc. ("SLG").

A number of disputes arose from the GPM Option Agreement: the existence of a force majeure being validly declared; whether or not SLG had met the first year expenditure requirements; and whether Goldeye met the requirements necessary to participate in 50% of certain additional properties staked by SLG. These disputes went through an arbitration process that resulted in a decision that a force majeure event had occurred and, therefore, the first year's expenditure deadline was extended, the first year's expenditure requirement was met, and that Goldeye had not met the conditions to participate in specific additional property purchases. On January 16, 2019, the Arbitration Panel ruled that SLG is entitled to a costs award of \$926,960 of which \$820,325 was recorded in the interim condensed consolidated statement of operations of the year ended December 31, 2018 and subsequently paid in September 2019. In April 2019, SLG announced it changed its company name to G2 Goldfields Inc. ("G2").

There continue to be issues in dispute under the Option Agreement, including the detail and amount of expenditures incurred by G2 Goldfields, as well as the status of the transfer of additional Interests paid by the Company. G2 Goldfields and the Company are not in agreement as to whether G2 Goldfields is in compliance with the Option Agreement.

During the course of the above-described arbitration, G2 brought a counterclaim against Goldeye for \$2,000,000 plus pre-judgment and post-judgment interest and costs on a full indemnity basis for breach of contract, including breach of certain representations, warranties, and covenants. No further steps have been taken by G2 to advance the counterclaim so full discovery has not yet taken place. Accordingly, no amounts have been recorded in the interim condensed consolidated financial statements related to this matter.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Gold Rock Project, Kenora Mining Division, Ontario

The Company's 100% owned Gold Rock Project is located near Dryden, Ontario and comprises two properties, the Gold Rock property, consisting of 20 claims and the Thunder Cloud property consisting of 1 claim. All claims at the Gold Rock Project are in good standing until 2019 or later and the Company has applied for extensions which are delayed due to the COVID 19 outbreak.

Shining Tree Project – Larder Lake Mining Division, Ontario

On July 15, 2020, a mining investment agreement (the "Purchase Agreement") was closed, by which the Company sold to Platinex Inc. the 208 unpatented mining claims located in the Shining Tree District, Northern Ontario (the "Mining Claims") and three net smelter royalties (the "Royalties").

The Mining Claims total approximately 5,045 Ha. (12,466 ac.) and are located adjacent to Platinex's Shining Tree property. The Royalties consist of a 100% interest in three royalty agreements, consisting of (i) a 2% net smelter royalty in respect of the Sonia-Puma Property held by Minera Goldeye Chile Limitada; (ii) a 1% net smelter royalty in respect of nine mineral claims forming part of the McFaulds Lake Project held by AurCrest Resources Inc.; and (iii) a 2% net smelter royalty in respect of 29 mineral claims located in MacMurchy Township, Ontario held by Golden Harp Resources Inc.

In consideration for acquiring the Mining Claims and the Royalties (the "Acquisition"), Platinex issued to Treasury 12,500,000 common shares ("Consideration Shares") and 5,000,000 non-transferable common share purchase warrants ("Consideration Warrants"). Each Consideration Warrant entitles Treasury to purchase one common share of Platinex at a price of \$0.05 per share for a period of 24 months from the date of issue. If Treasury exercised the Consideration Warrants on or before September 1, 2020, it would receive an additional non-transferable common share purchase warrant (a "Secondary Warrant") for each Consideration Warrant exercised. Each Secondary Warrant entitles the holder to purchase one common share of Platinex at a price of \$0.20 per share for a period of 24 months from the date of the closing of the Acquisition. The Secondary Warrants provide that Treasury shall not exercise the Secondary Warrants if such exercise would result in it owning 20% or more of the issued and outstanding common shares of Platinex.

At July 15, 2020, the fair value of the shares received was \$750,000, the Consideration Warrants and Secondary Warrants were assigned a fair value of \$253,592 and \$212,446, respectively, using the Black-Scholes option pricing model with the following assumptions: share price \$0.06, dividend yield 0%, expected volatility, based on historical volatility 194%, a risk free interest rate of 0.26% and an expected life of 2 years. The \$1,216,038 total fair value of the shares and warrants received was credited to the mineral properties and related deferred costs account.

9. ACQUISITION OF TAMAKA GOLD CORPORATION

On August 7, 2020, the Company closed a share purchase agreement with First Mining Gold Corp. ("First Mining") for the acquisition of all of the shares of Tamaka Gold Corporation ("Tamaka"), a subsidiary of First Mining that owns a 100% interest in the Goldlund Gold Project ("Goldlund Project"), located adjacent to Goliath Gold Project. In accordance with IFRS 3, *Business Combinations*, this transaction does not meet the definition of a business combination as the assets acquired are not an integrated set of activities with inputs, processes and outputs.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

9. ACQUISITION OF TAMAKA GOLD CORPORATION (Continued)

The purchase price of \$91,484,276 was allocated to the assets acquired with financial instruments recorded at fair value and other non-financial assets and liabilities. In exchange for all of the issued and outstanding common shares of Tamaka, First Mining received from the Company 43,333,333 common shares and 11,666,667 warrants with an exercise price of \$1.50 for a period of 36 months, a 1.5% net smelter returns royalty ("Goldlund Royalty") with the option for the Company to buy-back 0.5% of the Goldlund Royalty for \$5.0 million, and a milestone cash payment of \$5.0 million, with 50% payable upon receipt of a final and binding mining lease under the Mining Act (Ontario) to extract ore from an open pit mine at Goldlund, and the remaining 50% payable upon the extraction of 300,000 tonnes of ore from a mine at Goldlund. In addition, the Company incurred in \$2,317,774 for consulting and legal costs related to the acquisition. There is \$13,343,910 of difference between the total consideration over the value of the assets received which was allocated to mineral properties and related deferred costs

Details of the acquisition are as follows:

Consideration

Fair value of 43,333,333 shares issued by Treasury Metals Inc.	\$ 79,300,000
Fair value of 11,666,667 warrants issued by Treasury Metals Inc.	9,866,502
Transaction costs	2,317,774
Total consideration	<u>\$ 91,484,276</u>

Fair Value of Net Assets Acquired

Accounts receivable	7,918
Property and equipment	126,257
Mineral properties and related deferred costs	91,350,101
Total net assets acquired	<u>\$ 91,484,276</u>

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	September 30,	December 31,
	2020	2019
Trade accounts payable	\$ 1,327,769	\$ 1,074,316
Accrued liabilities	615,698	230,659
Taxes and payroll deductions payable	7,419	40,811
Due to Laramide Resources Ltd. (Note 15)	37,270	1,933
	<u>\$ 1,988,156</u>	<u>\$ 1,347,719</u>

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

11. SHORT-TERM AND LONG-TERM DEBTS

The present value of the short and long-term debts at September 30, 2020 and December 31, 2019 is as follows:

	Convertible Debt	Mortgage and lease payable	Total Debt September 30, 2020
Loan amount	\$ 5,869,160	\$ 10,282	\$ 5,879,442
Unaccreted amount	(746,068)	(2,981)	(749,049)
Carrying value of the debt	5,123,092	7,301	5,130,393
Current portion of the debt	-	(7,301)	(7,301)
Long-term debt	\$ 5,123,092	\$ -	\$ 5,123,092

	Convertible Debt	Mortgage and lease payable	Total Debt December 31, 2019
Loan amount	\$ 5,714,720	\$ 41,069	\$ 5,755,789
Unaccreted amount	(895,695)	(9,076)	(904,771)
Carrying value of the debt	4,819,025	31,993	4,851,018
Current portion of the debt	-	(28,350)	(28,350)
Long-term debt	\$ 4,819,025	\$ 3,643	\$ 4,822,668

Convertible Debt

At September 30, 2020, the convertible debt owed to Extract Lending LLC and Extract Capital Master Fund Ltd. (together "Extract") is US\$4.4 million (CAD\$5.9 million) as per a debt agreement signed in June 2016 in addition to the three amendments signed in the three subsequent years of which the last ("the third amendment") was signed on August 15, 2019.

Under the third amendment terms, the debt may be converted at Extract's option, in part or in full, at any time, into common shares of the Company at \$0.96 per common share (December 31, 2019 - \$0.96) and the maturity date was extended one year up to November 30, 2022. As consideration for the third amendment, the Company paid to Extract an extension fee of US\$44,000 (CAD\$58,691) and issued 200,000 warrants, with a fair value of \$80,265, entitling Extract to purchase common shares at an exercise price of \$1.20 per share for a three-year term.

Pursuant to the current terms of the debt and at December 31, 2019, the interest rate is 12-month LIBOR (minimum 200 basis points) plus 6.5%. The debt is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.

The details of the terms of the original debt agreement and the two subsequent amendments are disclosed in the audited consolidated financial statements at December 31, 2019.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

11. SHORT-TERM AND LONG-TERM DEBTS (Continued)

Activity of the financial instrument	September 30, 2020	December 31, 2019
Beginning balance - Debt portion	\$ 4,819,025	\$ 4,533,002
Beginning balance - Non-cash derivative liability	1,939,648	1,775,856
Carrying value of financial instruments	6,758,673	6,308,858
Accretion	-	257,792
Changes in fair value of non-cash derivative liability	-	198,721
Foreign exchange adjustment	-	(110,622)
Carrying value prior to amendment	6,758,673	6,654,749
Loss on debt extinguishment (i)	-	1,245,495
Fair value of new debt instrument	6,758,673	7,900,244
Accretion	183,830	144,291
Changes in fair value of non-cash derivative liability	2,535,343	(1,174,273)
Foreign exchange adjustment	120,237	(111,589)
Ending balance - Debt portion	\$ 5,123,092	\$ 4,819,025
Ending balance - Non-cash derivative liability	\$ 4,474,991	\$ 1,939,648
Financial instrument - Ending balance	\$ 9,598,083	\$ 6,758,673

(i) Does not include transaction costs incurred on amendment.

Under IFRS, the third amendment dated August 15, 2019, and the previous two amendments were considered to be extinguishments of debt, accordingly, the new debt instruments were recorded at fair value on the amendment date and the variances originated by the amendments were immediately recorded in the loss on debt extinguishment account of the consolidated statements of operations.

The fair value of the debt component upon issuance at August 15, 2019 was USD\$3,595,750 (CAD\$4,786,303) based on a market borrowing rate of 16.4%.

Due to the loan being denominated in U.S. dollars, the conversion feature has been presented as a non-cash derivative liability, and upon issuance was assigned a fair value of \$3,113,921 using the Black-Scholes option pricing model with the following assumptions: share price \$1.095, dividend yield 0%, expected volatility, based on historical volatility of 60%, a risk free interest rate of 1.3% and an expected life of 3.3 years. As at September 30, 2020, the non-cash derivative liability of the debt was assigned a fair value of \$4,474,991 (December 31, 2019 - \$1,939,648) using the Black-Scholes option pricing model with the following assumptions: share price \$1.45 (December 31, 2019 - \$0.90), dividend yield 0%, expected volatility, based on historical volatility 65.8% (December 31, 2019 - 55.9%), a risk free interest rate of 0.25% (December 31, 2019 - 1.69%) and an expected life of 26 months (December 31, 2019 - 35 months). The fair value loss of \$2,535,343 (2019 - \$337,692), has been recognized in the interim condensed consolidated statements of operations. The effective interest rate of the debt is 16.4%.

Lease agreement

	September 30, 2020	December 31, 2019
Lease payable	\$ 8,124	\$ 19,201
Unamortized discount	(2,981)	(9,076)
Fair value of the lease payable	5,143	10,125
Current portion of the lease payable	(5,143)	(6,482)
Long-term portion of the lease payable	\$ -	\$ 3,643

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

11. SHORT-TERM AND LONG-TERM DEBTS (Continued)

In August 2017, the Company signed a four-year lease agreement for a vehicle used at the Goliath Project. At September 30, 2020, the Company is committed to pay \$8,124 through monthly payments until the end of the lease agreement in August 2021. Under IFRS 16, the Company recorded the payable at fair value based on incremental borrowing rate of 20.41%.

Mortgage

	September 30, 2020	December 31, 2019
Short-term	\$ 2,158	\$ 21,868

The mortgage is related to a purchase of land and building located on the Goliath Gold Project property for a total of \$200,000. The purchase was made in November 2010 consisting of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020.

Short-term loans

On March 26, 2020 the Company signed three promissory notes with three unrelated parties totalling \$750,000, a total of \$45,000 commitment fees was paid in advance. The notes were unsecured bearing an annual interest rate of 15% commencing on June 26, 2020 and repayable on September 26, 2020. The notes and accrued interest were repaid on maturity.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

12. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance, January 1, 2019	48,363,334	\$ 93,119,530
Units issued for cash in private placements	2,964,751	2,134,621
Flow-through issued for cash in private placements	1,828,667	1,371,500
Share issue cash costs	-	(234,062)
Issuance of compensation warrants	-	(14,457)
Issuance of warrants	-	(758,784)
Shares issued with respect to a services agreement	33,333	29,000
Unrenounced flow-through shares premium	-	(168,357)
Balance, September 30, 2019	53,190,085	\$ 95,478,991
Flow-through issued for cash in private placements	3,386,225	2,895,223
Share issue cash costs	-	(269,568)
Issuance of compensation warrants	-	(39,682)
Issuance of warrants	-	(145,283)
Flow-through shares premium	-	(278,803)
Balance, December 31, 2019	56,576,310	\$ 97,640,878
Units issued for cash in private placements	10,666,666	11,520,000
Issued with respect to assets acquisition	43,333,333	79,300,000
Share issue costs	-	(1,325,593)
Issuance of compensation warrants	-	(541,506)
Issuance of warrants	-	(1,530,456)
Stock options exercised	1,538,268	1,843,495
Fair value of stock options exercised	-	385,112
Warrants exercised	417,131	420,224
Fair value of warrants exercised	-	90,089
Balance, September 30, 2020	112,531,708	\$ 187,802,243

In connection with the acquisition of Tamaka Gold Resources dated August 7, 2020 as described in Note 9, the Company issued 43,333,333 common shares and 11,666,667 warrants as a partial payment for the transaction. The common shares were valued at their fair market value on the issuance date. See Note 13 regarding the valuation of the warrants.

On February 7, 2019, the Company issued 33,333 common shares in consideration for a services agreement signed with a third party entity. The fair value of the shares at issuance date was \$0.87 per common share.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

12. CAPITAL STOCK (Continued)

Private Placements

On August 7, 2020, the Company closed a private placement for aggregate gross proceeds of \$11,520,000 through the issuance of 10,666,667 units at a price of \$1.08 per unit. Each unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of \$1.80 for a period of 24 months from the date of issuance. The private placement was completed in connection with the share purchase agreement signed with First Mining Gold Corp. as described in the Note 9. The Company incurred in \$1,325,593 of cash issue costs regarding this private placement.

On November 21, 2019, the Company closed a private placement for aggregate gross proceeds of \$2,795,233 through the issuance of 3,269,267 flow-through units at a price of \$0.855 per flow-through unit. On November 26, 2019, the Company closed an additional subscription for aggregate gross proceeds of \$100,000 through the issuance of 116,959 flow-through units at a price of \$0.855 per flow-through unit. Each flow-through unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of \$1.35 for a period of 24 months from the date of issuance and, at the discretion of the Company, may be subject to acceleration and called prior to the expiry date in the event that the closing price of the common shares is \$2.25 or more for twenty consecutive trading days. The Company incurred in \$288,158 of issue costs regarding this private placement. The proceeds of the flow-through financing will be used to incur Canadian Exploration Expenses qualified as "flow-through mining expenditures" under the Income Tax Act, see Note 17.

On June 6, 2019, the Company closed concurrent non-brokered private placements. The first private placement consisted of the issuance of 2,964,751 units at a price of \$0.72 per unit for aggregate gross proceeds of \$2,134,621. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles his holder to acquire one common share at an exercise price of \$0.96 for a period of 48 months from the date of issuance. The second private placement consisted of the issuance of 1,828,667 flow-through units at a price of \$0.75 per flow-through unit for aggregate gross proceeds of \$1,371,500. Each flow-through unit consisted of one common share and one half common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of \$1.05 for a period of 24 months from the date of issuance and, at the discretion of the Company, may be subject to acceleration and called prior to the expiry date in the event that the closing price of the common shares is \$1.50 or more for twenty consecutive trading days. The Company incurred in \$234,062 of issue costs regarding these private placements. The proceeds of the flow-through financing will be used to incur Canadian Exploration Expenses qualified as "flow-through mining expenditures" under the Income Tax Act, see Note 17.

13. WARRANTS

In connection with the acquisition of Tamaka Gold Resources described in Note 9 and dated August 7, 2020, the company issued 11,666,667 warrants, as a partial payment for the transaction, with each warrant entitling the holder to purchase one common share at an exercise price of \$1.50 for a period of 36 months. The warrants were assigned a fair value of \$9,866,502 using the Black-Scholes option pricing model with the following assumptions: share price \$1.80, dividend yield 0%, expected volatility, based on historical volatility 60.44%, a risk free interest rate of 0.30% and an expected life of 3 years.

In connection with the private placement on August 7, 2020, the Company issued 5,333,334 warrants exercisable within 24 months at a price of \$1.80 per share and were assigned a fair value of \$3,617,724 using the Black-Scholes option pricing model with the following assumptions: share price \$1.80, dividend yield 0%, expected volatility, based on historical volatility 69%, a risk free interest rate of 0.25% and an expected life of 2 years.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

13. WARRANTS (Continued)

In connection with the August 7, 2020 private placement, on August 17, 2020, the Company issued 640,000 compensation warrants exercisable within 24 months at a price of \$1.08 per share. The compensation warrants were assigned a fair value of \$541,506 using the Black-Scholes option pricing model with the following assumptions: share price \$1.67, dividend yield 0%, expected volatility, based on historical volatility 67%, a risk free interest rate of 0.26% and an expected life of 2 years.

In connection with the private placement of November 21, 2019 and additional subscription on November 26, 2019, the Company issued 1,634,633 and 58,479 warrants respectively, exercisable within 24 months at a price of \$1.35 per share and were assigned a fair value of \$139,381 using the Black-Scholes option pricing model with the following assumptions: share price \$1.35, dividend yield 0%, expected volatility, based on historical volatility 53.26%, a risk free interest rate of 1.58% and an expected life of 2 years. Also, the Company issued 196,156 and 7,017 compensation warrants exercisable within 24 months at a price of \$0.855 per share and were assigned a fair value of \$36,379 using the Black-Scholes option pricing model with the following assumptions: share price \$0.735, dividend yield 0%, expected volatility, based on historical volatility 53.26%, a risk free interest rate of 1.58% and an expected life of 2 years.

In connection with an arrangement with Extract for the compliance of certain covenants clauses of the debt agreement (Note 11), in August 2019 the Company issued in favour of Extract 200,000 warrants exercisable within 36 months at a price of \$1.20 per share. The warrants were assigned a fair value of \$80,265 using the Black-Scholes option pricing model with the following assumptions: share price \$1.06, dividend yield 0%, expected volatility, based on historical volatility 59.2%, a risk free interest rate of 1.27% and an expected life of 3 years.

In connection with the private placement on June 6, 2019, the Company issued 2,964,751 warrants exercisable within 48 months at a price of \$0.96 per share and were assigned a fair value of \$653,692 using the Black-Scholes option pricing model with the following assumptions: share price \$0.72, dividend yield 0%, expected volatility, based on historical volatility 66.71%, a risk free interest rate of 1.87% and an expected life of 4 years.

In connection with the private placement on June 6, 2019, the Company issued 914,333 warrants exercisable within 24 months at a price of \$1.05 per share and were assigned a fair value of \$104,822 using the Black-Scholes option pricing model with the following assumptions: share price \$0.72, dividend yield 0%, expected volatility, based on historical volatility 51.65%, a risk free interest rate of 1.45% and an expected life of 2 years.

In connection with the private placement on June 6, 2019, the Company issued 108,210 and 24,468 compensation warrants exercisable within 24 months at a price of \$1.05 and \$0.96, respectively, per share and were assigned a fair value of \$16,458 using the Black-Scholes option pricing model with the following assumptions: share price \$0.72, dividend yield 0%, expected volatility, based on historical volatility 51.65%, a risk free interest rate of 1.45% and an expected life of 2 years.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

13. WARRANTS (Continued)

The following table reflects the continuity of warrants for the period and year ended September 30, 2020 and December 31, 2019, respectively:

	Number of Warrants 2020	Number of Warrants 2019	Weighted Average Exercise Price 2020	Weighted Average Exercise Price 2019
Balance, at beginning of period	10,509,544	8,749,263	\$ 1.38	\$ 2.07
Issued, on private placement units (Note 12)	5,333,333	914,333	1.80	1.05
Issued on assets acquisition (Note 9)	11,666,667	-	1.50	-
Issued, on private placement units (Note 12)	-	2,964,751	-	0.96
Issued, on private placement units	-	1,634,633	-	1.35
Issued, on private placement units	-	58,479	-	1.35
Issued, Compensation warrants	-	108,120	-	1.05
Issued, Compensation warrants	-	24,468	-	0.96
Issued on debt agreement (Note 11)	-	200,000	-	1.20
Issued, Compensation warrants	640,000	196,156	1.08	0.86
Issued, Compensation warrants	-	7,017	-	0.86
Exercised	(178,845)	-	0.96	-
Exercised	(132,026)	-	1.05	-
Exercised	(69,958)	-	0.86	-
Exercised	(36,300)	-	1.35	-
Expired	(100,000)	(127,000)	2.25	2.01
Expired	(133,333)	(168,429)	2.40	1.65
Expired	-	(83,333)	-	2.82
Expired	-	(191,192)	-	1.95
Expired	-	(250,000)	-	1.05
Expired	-	(1,390,222)	-	2.10
Expired	-	(70,833)	-	1.35
Expired	-	(2,066,667)	-	2.85
Balance at end	27,499,082	10,509,544	\$ 1.51	\$ 1.38

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

13. WARRANTS (Continued)

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	Warrants at September 30, 2020	Warrants at December 31, 2019	Exercise Price
June 7, 2020	Warrants	-	100,000	\$ 2.25
June 7, 2020	Warrants	-	133,333	\$ 2.40
June 6, 2021	Compensation warrants	104,640	108,120	\$ 1.05
June 6, 2021	Compensation warrants	24,469	24,468	\$ 0.96
June 6, 2021	Warrants	785,787	914,333	\$ 1.05
November 21, 2021	Warrants	1,598,333	1,634,633	\$ 1.35
November 21, 2021	Compensation warrants	131,759	196,156	\$ 0.86
November 26, 2021	Warrants	58,479	58,479	\$ 1.35
November 26, 2021	Compensation warrants	1,456	7,017	\$ 0.86
November 30, 2021	Financier warrants	200,000	200,000	\$ 1.20
August 7, 2022	Warrants	5,333,333	-	\$ 1.80
August 14, 2022	Warrants	200,000	200,000	\$ 1.20
August 17, 2022	Compensation warrants	640,000	-	\$ 1.08
June 6, 2023	Warrants	2,785,905	2,964,751	\$ 0.96
June 25, 2023	Warrants	3,968,254	3,968,254	\$ 1.80
August 7, 2023	Warrants	11,666,667	-	\$ 1.50
		27,499,082	10,509,544	

The weighted average life of the outstanding warrants at September 30, 2020 is 2.4 years (December 31, 2019 - 2.9 years).

14. STOCK-BASED COMPENSATION

On December 19, 2019, the Company granted a total of 1,500,000 options to directors, officers, employees and consultants to buy common shares at an exercise price of \$0.90 each and expire on December 19, 2022. The stock options vest 33.3% at the date of granting, 33.3% at June 19, 2020 and the remaining 33.34% vest on December 19, 2020. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.855, dividend yield 0%, expected volatility 60.9% based on historical volatility, a risk free interest rate of 1.66%, and an expected life of 3 years. As a result, the fair value of the options was estimated at \$515,045 and will be recognized in the property cost and in the statement of operations over the periods the options vest.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at September 30, 2020, the Company has an additional 9,761,504 (December 31, 2019 – 2,432,631) options available for issuance under the plan.

During the period ended September 30, 2020, the stock-based compensation charged to mineral properties and related deferred costs amounted \$80,346 (2019 - \$66,739).

The Company estimates expected life of options and expected volatility based on historical volatility, which may differ from actual outcomes.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

14. STOCK-BASED COMPENSATION (Continued)

Continuity of the unexercised options to purchase common shares for the period ended September 30, 2020 and the year ended December 31, 2019, is as follows:

	Number of Stock Options 2020	Number of Stock Options 2019	Weighted Average Exercise Price 2020	Weighted Average Exercise Price 2019
Balance, at beginning of period	3,225,000	1,808,333	\$ 1.08	\$ 1.26
Options granted	-	1,500,000	-	0.90
Exercised	(1,529,996)	-	1.20	-
Exercised	(8,333)	-	0.90	-
Expired	-	(33,333)	-	1.20
Expired	(45,004)	(50,000)	1.20	1.20
Expired	(150,000)	-	1.86	-
Balance at end of period	1,491,667	3,225,000	\$ 0.90	\$ 1.08

The weighted average life of the outstanding options at September 30, 2020 is 2.2 years (December 31, 2019 - 1.6 years).

The outstanding options are comprised as follows:

Grant Date	Expiry Date	Number of Stock Options at September 30, 2020	Number of Stock Options at December 31, 2019	Exercise Price
June 29, 2017	June 29, 2020	-	150,000	1.86
September 18, 2018	September 18, 2020	-	1,575,000	1.20
December 19, 2019	December 19, 2022	1,491,667	1,500,000	0.90
		1,491,667	3,225,000	

At September 30, 2020, 991,667 of the outstanding options are fully vested and exercisable (December 31, 2019 - 1,544,167).

15. RELATED PARTY DISCLOSURES

Certain corporate entities that are related to the Company's officers and directors provide services to Treasury Metals. At September 30, 2020, there is \$37,270 of net accounts payable to Laramide Resources Ltd., (December 31, 2019 - \$1,933), a company that has a director and an officer in common with Treasury Metals. During the period, Laramide charged \$256,595 (2019 - \$137,709) for office space rent, and other expenditures paid by Laramide on behalf of the Company and the Company charged \$20,737 of shared expenditures paid on behalf of Laramide (2019 - \$20,316).

At September 30, 2020, there is \$207 of accounts receivable from Cypherpunk Holdings Inc. (December 31, 2019 - \$61), a company that has an officer and director and an officer in common with Treasury Metals. During the period, the Company charged \$1,416 (2019 - \$3,718) of shared expenditures paid on behalf of Cypherpunk Holdings Inc.

Transactions with related parties were conducted in the normal course of operations.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

16. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company. The compensation payable to key management is shown below:

Periods ended September 30	2020		2019	
Salaries	\$	356,250	\$	296,250
Director fees		86,250		86,250
	\$	442,500	\$	382,500

17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

1) Regarding the Goliath Gold Project, the Company is committed to spend \$4,266,723 by December 31, 2021 on Canadian exploration expenses ("CEE") as part of its flow-through funding agreements dated on June 6, 2019 and November 21, 2019. At September 30, 2020, the Company has spent \$1,419,832. All flow-through spending commitments from previous flow-through financings have been fulfilled.

2) Regarding the Goldlund Gold Project, as at September 30, 2020, the Company had \$174,000 of unspent flow-through expenditure commitments.

3) Following an audit commenced by the Canada Revenue Agency (the "CRA") in December 2016 of the flow-through expenditures incurred by the Company in the Goliath Gold Project, pursuant to the flow-through share financings completed on December 6, 2011, September 21, 2012, May 1, 2013, and December 20, 2013, on March 7, 2018 the Company was advised by the CRA that out of the total of \$12.5 million the Company raised through the flow-through share financings and renounced to subscribers, that the CRA had reclassified approximately \$1.8 million of CEE to operating expenses and a further approximately \$2.2 million of CEE to Canadian Development Expenses. In addition, pursuant to the audit, the CRA has notified the Company that it is liable for Part XII.6 tax in the amount of \$477,726 in connection with the shortfall from the disallowed CEE.

The Company disputes the CRA's proposed re-characterizations of expenses from CEE to either CDE or operating expenses and has filed a Notice of Objection with the CRA. Due to the uncertainty of the final outcome, no liability has been recorded in the interim condensed consolidated financial statements.

18. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At September 30, 2020, the Company has a working capital of \$7,064,689 excluding the non-cash unrenounced flow-through share premium liability and non-cash derivative liability (December 31, 2019 - \$560,277); Capital stock and contributed surplus total \$210,735,818 (December 31, 2019 - \$108,749,116).

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

18. FINANCIAL RISK FACTORS (Continued)

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and marketable securities.

At September 30, 2020, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At September 30, 2020, there were certain externally imposed capital requirements related to the long term debt, to which the Company is subject and with which the Company was not in compliance. A waiver was obtained to confirm that the Company was not in default on the long-term debt.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended September 30, 2020.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

Credit Risk

The Company has cash and cash equivalents balance of \$7,542,641 (December 31, 2019 - \$1,636,845) and accounts receivable of \$556,687 (December 31, 2019 - \$123,772). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has exposure to interest rate risk since its long-term debt has an interest rate based on 12-month LIBOR, subject to an interest floor.

Market Price Risk

The Company has convertible long-term debt denominated in US Dollars. The convertible feature of this long-term debt has been classified as a non-cash derivative liability. Among other variables, the fair value of the non-cash derivative liability is affected by changes in the market price of the Company shares.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

18. FINANCIAL RISK FACTORS (Continued)

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary liabilities in such currency as of September 30, 2020 is \$5,123,092 (December 31, 2019 - \$4,534,000).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had a cash and cash equivalents balance of \$7,542,641 (December 31, 2019 - \$1,636,845) to settle current liabilities of \$1,995,457 (December 31, 2019 - \$1,376,069), excluding the non-cash unrenounced flow-through share premium liability. All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

Sensitivity Analysis

As at September 30, 2020 and 2019, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

- i) The Company is exposed to interest rate risk on LIBOR fluctuations for its long-term debt. A variance of 1% in the 12-month LIBOR will affect the annual Company's net comprehensive loss by approximately \$58,692.
- ii) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by \$512,309.
- iii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their September 30, 2020 fair market value positions, the comprehensive loss would have varied by \$56,250.

Fair Value Hierarchy

The Company has designated its investments as FVTOCI, which are measured at fair value. The non-cash derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the interim condensed consolidated statement of operations.

Accounts payable and accrued liabilities and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate.

TREASURY METALS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)
Nine Months Ended September 30, 2020

18. FINANCIAL RISK FACTORS (Continued)

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

September 30, 2020:	Level One	Level Two	Level Three
Investments - current	\$ 446,711	\$ 249,841	\$ -
Non-current investments	562,500	-	-
Non-cash derivative liability	-	(4,474,991)	-
	\$ 1,009,211	\$ (4,225,150)	\$ -
December 31, 2019:	Level One	Level Two	Level Three
Non-cash derivative liability	\$ -	\$ (1,939,648)	\$ -
	\$ -	\$ (1,939,648)	\$ -

There have been no transfers between levels 1, 2 or 3 during the periods.