



**Heatherdale Resources Ltd.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
JANUARY 31, 2020 and 2019**

(Expressed in United States Dollars, unless otherwise stated)

(Unaudited)

**Notice of No Auditor Review of  
Condensed Consolidated Interim Financial Statements**

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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 consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

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

# Heatherdale Resources Ltd.



## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in United States Dollars)

	Notes	January 31 2020	October 31 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	3	\$ 30,869	\$ 33,372
Restricted cash	5(b)	735,294	733,017
<b>Total non-current assets</b>		<b>766,163</b>	<b>766,389</b>
<b>Current assets</b>			
Amounts receivable and prepaid expenses	4	19,051	39,170
Cash and cash equivalents	5(a)	8,287	8,320
<b>Total current assets</b>		<b>27,338</b>	<b>47,490</b>
<b>Total Assets</b>		<b>\$ 793,501</b>	<b>\$ 813,879</b>
<b>EQUITY (DEFICIENCY)</b>			
Share capital	6(a)	\$ 50,189,012	\$ 50,189,012
Reserves		4,044,829	4,044,829
Accumulated deficit		(58,060,392)	(57,997,846)
<b>Total deficiency</b>		<b>(3,826,551)</b>	<b>(3,764,005)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for rehabilitation obligation		1,268,312	1,268,312
<b>Total non-current liabilities</b>		<b>1,268,312</b>	<b>1,268,312</b>
<b>Current Liabilities</b>			
Payables to related parties	9	3,240,135	3,208,619
Trade and other payables	10	111,605	100,953
<b>Total current liabilities</b>		<b>3,351,740</b>	<b>3,309,572</b>
<b>Total liabilities</b>		<b>4,620,052</b>	<b>4,577,884</b>
<b>Total Equity and Liabilities</b>		<b>\$ 793,501</b>	<b>\$ 813,879</b>

Continuance of operations (note 1)

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

The condensed consolidated interim financial statements are signed on the Company's behalf by:

/s/ David Copeland

/s/ Robert Dickinson

David Copeland  
Director

Robert Dickinson  
Director

# Heatherdale Resources Ltd.



## Condensed Consolidated Interim Statements of Comprehensive Loss (Income)

(Unaudited - Expressed in United States Dollars)

	Notes	Three months ended January 31	
		2020	2019
<b>Expenses</b>			
Exploration and evaluation expenses	3, 11	\$ 36,193	\$ 41,891
General and administration expenses	11	66,636	46,642
Loss from operating activities		102,829	88,533
Foreign exchange (gain) loss		(16,903)	7,448
Finance income		(2,312)	(3,840)
Other income		(21,068)	-
Loss on convertible loans	7(a)	-	3,905
Gain on derivative financial liabilities	8	-	(62,523)
Derecognition on modification of convertible loans		-	(5,892)
Loss before income taxes		62,546	27,631
Income taxes		-	-
<b>Loss and comprehensive loss</b>		<b>\$ 62,546</b>	<b>\$ 27,631</b>
Basic and diluted loss per common share		\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding		36,659,377	36,659,377

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

## Heatherdale Resources Ltd.



### Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in United States Dollars)

	Notes	Three months ended January 31	
		2020	2019
<b>Operating activities</b>			
Loss for the period		\$ (62,546)	(27,631)
<u>Non-cash or non operating items:</u>			
Depreciation	3	2,503	3,576
Derecognition on modification of convertible loans	7(a)	-	(5,892)
Finance income		(2,312)	(3,840)
Foreign exchange (gain) loss		(17,172)	7,206
Loss on convertible loans	7(a)	-	3,905
Gain on derivative financial liabilities	8	-	(62,523)
<u>Changes in non-cash working capital items:</u>			
Amounts receivable and prepaid expenses		20,099	18,412
Payables to related parties		48,519	46,028
Trade and other payables		10,883	(2,804)
<b>Net cash used in operating activities</b>		<b>(26)</b>	<b>(23,563)</b>
<b>Investing activities</b>			
Interest received		35	409
<b>Net cash from investing activities</b>		<b>35</b>	<b>409</b>
<b>Net increase (decrease) in cash and cash equivalents</b>			
Effect of exchange rate fluctuations on cash held		(42)	(75)
		(33)	(23,229)
Cash and cash equivalents - beginning balance		8,320	81,101
<b>Cash and cash equivalents - ending balance</b>	5(a)	<b>\$ 8,287</b>	<b>\$ 57,872</b>

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

## Heatherdale Resources Ltd.



### Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)

(Unaudited - Expressed in United States Dollars except for share information)

	Share capital		Equity settled share-based payments reserve	Accumulated deficit	Total equity (deficiency)
	Number of common shares (Note 6(a))	Amount			
Balance at November 1, 2018	183,296,886	\$ 50,189,012	\$ 4,044,829	\$ (57,646,813)	\$ (3,412,972)
Income and comprehensive income	-	-	-	(27,631)	(27,631)
<b>Balance at January 31, 2019</b>	<b>183,296,886</b>	<b>\$ 50,189,012</b>	<b>\$ 4,044,829</b>	<b>\$ (57,674,444)</b>	<b>\$ (3,440,603)</b>
Balance at November 1, 2018	183,296,886	\$ 50,189,012	\$ 4,044,829	\$ (57,997,846)	\$ (3,412,972)
Common share consolidation (146,637,518)	(146,637,518)	-	-	-	-
Loss and comprehensive loss	-	-	-	(62,546)	(62,546)
<b>Balance at January 31, 2020</b>	<b>36,659,368</b>	<b>\$ 50,189,012</b>	<b>\$ 4,044,829</b>	<b>\$ (58,060,392)</b>	<b>\$ (3,475,518)</b>

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

### 1. NATURE AND CONTINUANCE OF OPERATIONS

Heatherdale Resources Ltd. (the "Company" or "Heatherdale") was incorporated under the laws of the Province of Alberta, Canada on November 6, 2007, and continued under the laws of the Province of British Columbia, Canada on November 16, 2009. The Company's corporate office is located at 1040 West Georgia Street, 15th Floor, Vancouver, British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "HTR".

These consolidated financial statements ("Financial Statements") comprise Heatherdale and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Heatherdale is the ultimate parent entity of the Group.

The Group's principal mineral property interest is its 100% owned Niblack copper-gold-zinc-silver project in southeast Alaska (the "Niblack Project"). The Group is in the process of exploring the Niblack Project and has yet to determine if the project contains economically recoverable mineral reserves. The Group's continuing operations and the underlying value of the Niblack Project are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Group to obtain the necessary financing to complete the exploration and development of the Niblack Project, obtaining the necessary permits to mine, future profitable production from any mine, and proceeds from the disposition of the project.

These Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business for the foreseeable future. As of January 31, 2020, the Group had cash and cash equivalents of \$8 thousand, a working capital deficit of approximately \$3.3 million, due largely to a payable to Hunter Dickinson Services Inc. ("HDSI") amounting to approximately \$3.1 million (October 31, 2019 - \$3.1 million) (note 9), and has accumulated significant losses since inception. Additional funds will be required to fund general working capital in the near term as well as any further exploration or development programs at the Niblack Project. The Group is continually seeking opportunities for additional funding. There can be no assurance that the Group will obtain the required additional financial resources or achieve positive cash flows. These conditions indicate the existence of a material uncertainty that casts significant doubt on the ability of the Group to continue as a going concern.

These Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Group be unable to continue as a going concern.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

These Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations committee ("IFRIC"s). Accordingly, they do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete annual financial statements and should be read in conjunction with the Group's consolidated financial statements, as at and for the year ended October 31, 2019, which were filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Results for the reporting period are not necessarily indicative of future results.

Accounting policies applied herein are the same as those applied in the Group's annual financial statements except for those discussed below in (c) below.

These Financial Statements were authorized for issue by the Audit Committee of the Board of Directors on March 30, 2020.

*(b) Significant Accounting Estimates and Judgments*

The critical judgments and estimates applied in the preparation of these Financial Statements are consistent with those applied in the Group's consolidated financial statements, as at and for the year ended October 31, 2019.

*(c) Changes in Accounting Policy*

The Company has adopted the following new IFRS accounting standard that was issued and effective for annual periods beginning on or after January 1, 2019 (Group's fiscal period starting November 1, 2019):

*IFRS 16, Leases ("IFRS 16")*

IFRS 16, which replaces IAS 17, Leases, applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces a single, on-balance sheet accounting model requiring the recognition of right-of-use assets ("ROU assets") and lease liabilities for all leases, with limited exceptions for short-term leases (twelve months or less) or leases of low value assets.

IFRS 16 prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Group has elected to apply the modified retrospective approach in which comparatives are not restated and ROU assets are measured at amounts equal to the associated lease liabilities. The Group has also elected to apply the available exemptions permitted by IFRS 16 to recognize a lease expense on a straight line basis for short-term leases (twelve months or less) and low value assets. The Group has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases

The Group did not identify any agreement or contract that is or contains a lease and for which recognition under the standard would be required.

**3. EXPLORATION AND EVALUATION ASSETS**

At January 31, 2020 and October 31, 2019, the carrying amounts of the Group's exploration and evaluation assets ("E&E assets") include the cost, less accumulated depreciation, of plant and equipment at the Niblack Project site.

During the three months ended January 31, 2020 and 2019, there were no new acquisitions or disposals of E&E assets.

Depreciation charges on E&E assets for the three months ended January 31, 2020, were \$2,503 (2019 - \$3,573), and are included in exploration expenses in the statement of comprehensive loss.



# Heatherdale Resources Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three ended January 31, 2020 and 2019

(Expressed in United States dollars, unless stated otherwise)



### 4. AMOUNTS RECEIVABLE AND OTHER PREPAID EXPENSES

	January 31 2020	October 31 2019
<b>Falling due within one year</b>		
Sales tax receivable	\$ 3,859	\$ 5,449
Other receivable	-	2,578
Prepaid expenses	15,192	31,143
	<b>\$ 19,051</b>	<b>\$ 39,170</b>

### 5. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

#### (a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in business and savings accounts held at major financial institutions, which are available on demand, by the Group.

#### (b) Restricted Cash

	January 31 2020	October 31 2019
Comprises of:		
Cash collateral	\$ 704,960	\$ 704,960
Income earned and re-invested	26,434	24,157
Total <sup>1</sup>	731,394	729,117
Cash deposit <sup>2</sup>	3,900	3,900
	<b>\$ 735,294</b>	<b>\$ 733,017</b>

Notes:

1. The cash collateral is held with a United States ("US") financial institution, which has been pledged to the surety provider of the surety bond accepted by the Alaskan regulatory authorities. The cash collateral will be released once reclamation work has been performed and assessed by the Alaskan regulatory authorities. The cash is invested in a money market fund. Total income recognized and which has been re-invested for the three months ended January 31, 2020, was \$2,277 (2018 - 3,431).
2. The cash deposit is held with the Alaskan regulatory authorities as a performance guarantee for additional reclamation work to be performed by the Group.

### 6. SHARE CAPITAL AND RESERVES

#### (a) Authorized Share Capital

At January 31, 2020 and 2019, the authorized share capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares with no par value. Only common shares have been issued and are outstanding. All issued shares are fully paid. In November 2019, the Group completed a five (5) for one (1) share consolidation of its common shares.

*(b) Share Option Plan*

Since November 1, 2017, no options have been granted. There are no options outstanding.

*(c) Deferred Share Units ("DSUs")*

No DSUs have been issued since the DSU plan was adopted by the Group and approved by shareholders in April 2018.

**7. CONVERTIBLE FINANCIAL INSTRUMENTS**

*(a) Convertible Loans Transferred to Related Party and Terms Amended*

On November 29, 2018, the rights to two convertible loans and interest accrued to that date were transferred to HDSI, a related party, and the loans were amended such that they no longer bear interest nor are convertible into common shares (note 9).

Until the transfer and amendments discussed above, the convertible loans met the definition of derivative financial liabilities as no fixed number of common shares would be issued on conversion and the Group designated these hybrid financial instruments at FVTPL. The Group determined the fair value of the hybrid instruments using a combination of the discounted cash flow method and the Black-Scholes option pricing model as well as considering the probability of conversion by the Lender. To the date of modification, the Group recognized a loss on fair value on the convertible loans of \$3,905. For the First Loan, the following assumptions were used: Cdn\$0.03 valuation-date share price; 181% expected volatility; 2.16% risk-free interest rate; and 1.4 years remaining life. For the Second Loan, no value was estimated using Black Scholes for the conversion option. On modification the Group recorded a gain of \$5,892 on the derecognition of fair value as a result of reclassifying the loans to amortized cost and accordingly reclassifying \$143,538 to payables to related parties.

*(b) Convertible Debenture*

On December 31, 2016, the Group exercised its option to redeem a Cdn\$3,000,000 convertible debenture, which had matured (the "Debenture"), and pursuant to the terms of the debenture issued 15 million common shares at the conversion price of Cdn\$0.20 per common share (after the share consolidation equal to 5 million common shares). The Debenture was subscribed for and held by Sino-Canada Natural Resources Fund I ("Sino-Canada Fund").

As of the date of these Financial Statements, the redemption process is still to be completed, including the delivery and acceptance of the common shares issued.

**8. DERIVATIVE FINANCIAL LIABILITIES**

The following summarizes share purchase warrants (each warrant redeemable for one common share) at the beginning and end of the period:

## Heatherdale Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three ended January 31, 2020 and 2019

(Expressed in United States dollars, unless stated otherwise)



<b>Continuity of share purchase warrants</b>	Number of shares subject to warrants outstanding	Weighted average exercise price
Balance November 1, 2018	28,563,868	Cdn\$0.07
Expired	(10,000,000)	Cdn\$0.07
Balance January 31, 2019	(18,563,868)	Cdn\$0.07
Expired	(18,536,868)	Cdn\$0.07
<b>Balance October 31, 2019 and January 31, 2020</b>	<b>-</b>	<b>-</b>

Until their expiry, the warrants were classified as derivative financial liabilities ("DFLs") as they had a Canadian dollar exercise price, which is not the functional currency of the Group, and so did not meet the definition of an equity instrument. The DFLs were recognized at fair value, which was estimated using the Black-Scholes option pricing model, on date of issue and at the end of each reporting period with changes in fair value recognized in loss (income) for the period. At January 31, 2019, the fair value of the DFLs was estimated using the weighted average assumptions: risk free rate - 1.76%; expected volatility - 166.8%; expected life - 0.14 years; share price - Cdn\$0.02 and dividend yield - nil.

The following tables reconcile the change in fair value of the DFLs for the period ended July 31, 2019 and 2018:

<b>Continuity of fair value</b>	<b>Warrants - DFLs</b>			
	July 2017	February 2017	January 2017	Total
Balance November 1, 2018	\$ 12,685	\$ 42,101	\$ 20,730	\$ 75,516
Fair value change - gain	308	(42,101)	(20,730)	(62,523)
<b>Balance January 31, 2019</b>	<b>12,993</b>	<b>-</b>	<b>-</b>	<b>12,993</b>
Fair value change -gain	(12,993)	-	-	(12,993)
<b>Balance October 31, 2019 and January 31, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 9. RELATED PARTY BALANCES AND TRANSACTIONS

The components of payables to related parties are as follows:

	<b>January 31 2020</b>	October 31 2019
Key management personnel (non-HDSI KMP)(a)	\$ 148,972	\$ 149,787
Hunter Dickinson Services Inc. (b)	3,091,163	3,058,832
	<b>\$ 3,240,135</b>	<b>\$ 3,208,619</b>

## Heatherdale Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three ended January 31, 2020 and 2019

(Expressed in United States dollars, unless stated otherwise)



#### (a) *Transactions with Key Management Personnel*

The aggregate value of transactions with key management personnel ("KMP") which includes directors (executive and non-executive), senior management, and advisors for the three months ended January 31, 2020 and 2019, was as follows:

<b>Transactions</b>	Three months	
	<b>2020</b>	2019
Amounts payable to HDSI for services of KMP employed by HDSI <sup>1</sup>	\$ 13,332	\$ 13,608
Amounts paid and payable to KMP or to an entity owned by a KMP <sup>2</sup>	-	3,679
	\$ 13,332	\$ 17,287

Notes:

1. Certain HDSI personnel serve as executive directors and officers for the Group.
2. Includes fees and expenses payable to C.E.C Engineering Ltd, a private company controlled by the Chief Executive Officer.

#### (b) *Hunter Dickinson Services Inc.*

Hunter Dickinson Inc. ("HDI") and its wholly-owned subsidiary HDSI are private companies established by a group of mining professionals.

Two of the Group's directors, David Copeland and Robert Dickinson, are principals of HDSI. In addition, the Group's other director, Lena Brommeland, the Chief Financial Officer and Corporate Secretary are employees of HDSI and work for the Company under an employee secondment arrangement between the Company and HDSI.

Pursuant to a management agreement between the Group and HDSI, HDSI provides technical, geological, corporate communications, regulatory compliance, and administrative and management services to the Company, on an as-needed and as-requested basis from the Company. As a result of this relationship, the Group has ready access to a range of diverse and specialized expertise on a regular basis, without having to engage or hire full-time experts. HDSI also incurs third-party costs on behalf of the Group which are reimbursed by the Group to HDSI at cost without any markup.

For the three months ended January 31, 2020 and 2019, the value of transactions (rounded to the nearest thousand dollars) was as follows:

## Heatherdale Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three ended January 31, 2020 and 2019

(Expressed in United States dollars, unless stated otherwise)



Transactions	Three months	
	2020	2019
Services received based on annually set rates		
Accounting, legal, corporate, risk & compliance, tax and administration	\$ 29,000	\$ 20,000
Information technology services	5,000	4,000
Directors' fees	–	1,000
Site services	9,000	8,000
Stakeholder communication	–	3,000
Technical support - geological	1,000	2,000
<b>Total</b>	<b>\$ 44,000</b>	<b>\$ 38,000</b>
Reimbursement of third party expenses paid	\$ 4,000	\$ 2,000

#### *Transfer of Loans to HDSI*

On November 29, 2018, the Group consented to the transfer of the rights under certain convertible loans (note 7(a)), including interest accrued to that date to HDSI, which in aggregate amounted to \$143,538. HDSI then amended the terms of the loans such that from the same date, the loans no longer bear interest and no longer have a conversion option. The Group determined that these loans should be accounted for at amortised cost and are included in the related party payable to HDSI.

## 10. TRADE AND OTHER PAYABLES

	January 31 2020	October 31 2019
<b>Falling due within one year:</b>		
Trade payables	\$ 100,197	\$ 84,701
Accrued expenses	11,408	16,252
	<b>\$ 111,605</b>	<b>\$ 100,953</b>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

## 11. EMPLOYMENT COSTS

The amount of salaries and benefits included in expenses for the months ended January 31, 2020, was \$38,911 (2019 - \$37,089). Salaries include directors' fees payable and amounts payable to HDSI (see note 9(b)) for services provided to the Group by HDSI personnel.

## 12. FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. During the period ended January 31, 2020, there were no changes in the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital.

*Fair Value*

The fair value of the Group's financial assets and liabilities approximate their carrying values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Fair value measurements, which are determined by using valuation techniques, are classified in their entirety as either Level 2 or Level 3 based on the lowest level input that is significant to the measurement.

The fair value measurement of the convertible loans prior to the amendments (note 7(a)) and the derivative financial liabilities (note 8) until their expiry were categorized within Level 2 of the hierarchy. Both were exposed to market risk as they employed the quoted market price of the Company's common shares and foreign exchange rates.

**13. EVENTS AFTER THE REPORTING DATE***(a) Impact of the Novel Coronavirus ("COVID-19")*

The current outbreak of COVID-19, and any future emergence and spread of similar pathogens, could have a material adverse effect on global and local economic and business conditions which may adversely impact our business and results of operations and the operations of contractors and service providers. The outbreak has now spread to the United States and Canada where we conduct our principal business operations. Our plans to advance the development of the Niblack Project are dependent upon our employees and our contractors. Government efforts to curtail the COVID-19 outbreak may result in our personnel being delayed in completing any required work that we are pursuing due to quarantine, self-isolation, social distancing, restrictions on travel, restrictions on meetings and work from home requirements. The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others. Moreover, the spread of the coronavirus globally is expected to have a material adverse effect on global and regional economies and to continue to negatively impact stock markets, including the trading price of our shares. These adverse effects on the economy, the stock market and our share price could adversely impact our ability to raise capital, with the result that our ability to pursue development of the Niblack Project could be adversely impacted, both through delays and through increased costs. Any of these developments, and others, could have a material adverse effect on our business and results of operations and could delay our plans for development of the Niblack Project.