



**QUESTEX GOLD & COPPER LTD.
(FORMERLY COLORADO RESOURCES LTD.)**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

	Note	September 30, 2020	March 31, 2020 (Note 3)
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	5	1,908,922	573,200
Restricted cash	5	924,992	1,622,314
Receivables	19(b)	142,042	56,942
Prepaid expenses and deposits		67,724	79,286
Marketable securities	6	69,520	25,280
Net investment in sublease	9	27,264	25,684
		3,140,464	2,382,706
Non-Current			
Net investment in sublease	9	22,694	36,733
Reclamation deposits	7	167,000	167,000
Equipment	8	10,532	5,724
Right-of-use asset	9	40,515	29,329
Exploration and evaluation assets	3, 10	5,947,946	5,947,946
		9,329,151	8,569,438
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	546,548	369,233
Lease liability	9	65,882	44,324
		612,430	413,557
Non-Current			
Flow-through share premium liability	12	493,329	631,720
Lease liability	9	34,974	59,204
		1,140,733	1,104,481
EQUITY			
Share capital	14	48,879,236	47,173,446
Share-based payments reserve		1,295,076	1,117,714
Deficit		(41,985,894)	(40,826,203)
		8,188,418	7,464,957
		9,329,151	8,569,438

Approved on behalf of the Board:

"Cecil Bond", Director

"Fletcher Morgan", Director

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE SIX MONTHS ENDED SEPTEMBER 30
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended September 30,		Six months ended September 30,	
		2020	2019 (Note 3)	2020	2019 (Note 3)
		\$	\$	\$	\$
Expenses					
Accretion of lease liability	9	(1,192)	-	-	-
Consulting	19(a)	86,037	35,850	172,637	45,556
Depreciation	8, 9	13,012	15,691	18,250	31,611
Directors' fees	19(a)	-	-	-	25,000
Exploration expenditures	3, 15	600,981	1,079,698	711,250	1,079,698
Finance charge	13	-	21,250	-	21,250
Interest on lease liability	9	3,523	-	6,526	-
Interest on loan payable		-	5,831	-	16,109
Investor relations		60,067	30,929	90,936	28,817
Office and administration	19(a)	11,839	54,431	54,012	82,149
Professional fees		14,665	(29,600)	40,973	100,808
Salaries and benefits	19(a)	49,741	37,013	51,582	90,864
Share-based payments expense	14(e), 19(a)	168,868	162,544	234,728	162,544
Transfer agent, regulatory and filing fees		11,735	34,032	13,827	35,456
Travel and accommodation		10,963	22,235	10,963	26,960
		<u>1,030,239</u>	<u>1,469,904</u>	<u>1,405,684</u>	<u>1,746,822</u>
Other Items					
Accretion on sublease	9	(1,625)	-	(3,437)	-
Foreign exchange gain		984	3,918	(10,296)	3,816
Gain on settlement of trade payables		-	(8,635)	-	(8,635)
Interest and miscellaneous income		(1,028)	(10,669)	(11,431)	(11,165)
Settlement of FT share liability on incurring eligible expenditures	12	(138,391)	-	(138,391)	-
Write-off of cash in subsidiary	5	-	-	28,388	-
Unrealized (gain) loss on marketable securities	6	(31,600)	18,960	(44,240)	19,140
		<u>(171,660)</u>	<u>3,574</u>	<u>(179,407)</u>	<u>3,156</u>
Loss and comprehensive loss for the period		<u>(858,579)</u>	<u>(1,473,478)</u>	<u>(1,226,277)</u>	<u>(1,749,978)</u>
Basic and diluted loss per share		\$ (0.04)	\$ (0.10)	\$ (0.06)	\$ (0.13)
Basic and diluted weighted average number of shares outstanding		21,199,706	15,136,905	21,158,624	13,832,477

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital \$	Share-based payments reserve \$	Deficit \$	Total \$
Balance, April 1, 2019		12,513,714	40,988,917	1,154,769	(38,898,847)	3,244,839
Net loss for the period		-	-	-	(1,749,978)	(1,749,978)
Private placements, net of share issue costs		3,733,778	3,310,272	191,474	-	3,501,746
Shares issued to Newmont for settlement of loan	13	633,672	538,621	-	-	538,621
Shares issued pursuant to Buckingham acquisition	4	1,249,005	1,249,005	124,703	-	1,373,708
Shares issued for bonus fees on loan	13	25,000	21,250	-	-	21,250
Share-based payments expense		-	-	162,544	-	162,544
Reclass of expired or forfeited stock options and warrants	14(c)	-	-	(726,112)	726,112	-
Balance, September 30, 2019		18,155,169	46,108,065	907,378	(39,922,713)	7,092,730
Net loss for the period		-	-	-	(1,063,880)	(1,063,880)
Private placements, net of share issue costs		2,272,267	1,352,273	173,242	-	1,525,515
Flow-through share premium	12	-	(631,720)	-	-	(631,720)
Shares issued for mineral property option payment		689,655	344,828	-	-	344,828
Share-based payments expense		-	-	197,484	-	197,484
Reclass of expired or forfeited stock options and warrants		-	-	(160,390)	160,390	-
Balance March 31, 2020		21,117,091	47,173,446	1,117,714	(40,826,203)	7,464,957
Net loss for the period		-	-	-	(1,226,277)	(1,226,277)
Private placement, net of share issue costs	14(b)	2,533,535	1,705,790	9,220	-	1,715,010
Share-based payments expense	14(e)	-	-	234,728	-	234,728
Reclass of expired stock options	14(c)	-	-	(66,586)	66,586	-
Balance, September 30, 2020		23,650,626	48,879,236	1,295,076	(41,985,894)	8,188,418

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended September 30,		Six months ended September 30,	
		2020	2019	2020	2019
Operating Activities					
Net loss for the period		(858,579)	(1,473,478)	(1,226,277)	(1,749,978)
Items not involving cash:					
Depreciation	8, 9	11,821	11,561	18,250	23,352
Accrued interest	9	6,323	(10,278)	12,459	-
Accretion of lease liability	9	5,334	4,130	6,526	8,260
Accretion on sublease	9	(3,437)	-	(3,437)	-
Finance charge	13	-	21,250	-	21,250
Share-based payments expense	14(e)	168,868	162,544	234,728	162,544
Settlement of share premium liability		(138,391)	-	(138,391)	-
Unrealized (gain) loss on marketable securities	6	(31,600)	18,960	(44,240)	19,140
		(839,661)	(1,265,311)	(1,140,382)	(1,515,432)
Net change in non-cash working capital	16	94,428	275,997	56,737	463,381
Cash used in operating activities		(745,233)	(989,314)	(1,083,645)	(1,052,051)
Investing Activities					
Purchase of reclamation bonds	7	5,000	(5,000)	-	(5,000)
Purchase of equipment	8	(4,259)	-	(8,335)	-
Exploration and evaluation assets expenditures	10	-	-	-	-
Acquisition of Buckingham Copper		-	(154,855)	-	(154,855)
Cash provided by (used in) investing activities		741	(159,855)	(8,335)	(159,855)
Financing Activities					
Buckingham loan	13	-	(200,000)	-	-
Lease liability payments	9	(19,888)	(13,442)	(31,670)	(26,884)
Proceeds pursuant to private placement	14(b)	1,773,475	3,708,087	1,773,475	3,708,087
Share issue costs	14(b)	(11,425)	(206,341)	(11,425)	(206,341)
Cash provided by financing activities		1,742,162	3,288,304	1,730,380	3,474,862
Net increase in cash and cash equivalents		997,670	2,139,135	638,400	2,262,956
Cash and cash equivalents, beginning of period		1,836,244	258,419	2,195,514	134,598
Cash and cash equivalents, end of period		2,833,914	2,397,554	2,833,914	2,397,554
Cash, cash equivalents and restricted cash is comprised of:					
Cash and cash equivalents		1,908,922	258,419	1,908,922	993,958
Restricted cash		924,992	2,139,135	924,992	1,403,596
		2,833,914	2,397,554	2,833,914	2,397,554
Supplemental cash flow information	16				

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

QuestEx Gold & Copper Ltd. (“**QuestEx**” or the “**Company**”), formerly Colorado Resources Ltd. was incorporated on October 9, 2009 under the Business Corporations Act (British Columbia). On September 28, 2020, the Company changed its name from Colorado Resources Ltd. to QuestEx Gold & Copper Ltd. The Company is in the exploration stage and its principal business activities include the acquisition, exploration and development of mineral properties. The Company’s principal properties are located in British Columbia (“**BC**”).

The Company is listed on the TSX Venture Exchange (the “**TSX-V**”), having the symbol QEX.V as a Tier 1 issuer and its corporate office and principal place of business are located at Suite 500 – 666 Burrard Street, Vancouver, BC V6C 3P6.

Effective August 21, 2020, the Company consolidated its common shares on the basis of one post-consolidated common share for every ten pre-consolidated common shares held. The 211,170,915 pre-consolidated common shares issued and outstanding were adjusted to 21,117,091 post-consolidated common shares. As required by International Accounting Standards (“IAS”) 33 *Earnings per Share*, all references to share capital, common shares outstanding, warrants outstanding, options outstanding and per share amounts in these condensed consolidated interim financial statements and these accompanying notes for time periods prior to the share consolidation have been restated to reflect the one-for-ten share consolidation.

The Company has not generated revenues from its operations to date. The Company incurred a net loss of \$1,226,277 during the six months ended September 30, 2020 (2019: \$1,749,978) and, as of that date, the Company’s accumulated deficit was \$41,985,894 (March 31, 2020: \$40,826,203). The Company had working capital of \$2,528,034 as at September 30, 2020 (March 31, 2020: \$1,969,149) of which the Company has flow through expenditure requirements of \$924,992 (March 31, 2020: \$1,622,314). These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company’s ability to continue as a going concern. The Company will continue to have to raise funds beyond its current working capital balance in order to continue the development of its exploration properties and general operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Since March 2020, COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s financing capabilities. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. It is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these condensed consolidated interim financial statements.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

No adjustments have been made to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“**IAS 34**”) as issued by the International Accounting Standards Board (“**IASB**”) using accounting principles consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the IASB.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the “**Board**”) approved these condensed consolidated interim financial statements on November 30, 2020.

These condensed consolidated interim financial statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiaries.

3. CHANGE IN ACCOUNTING POLICY

Exploration and evaluation expenditures

During the six months ended September 30, 2020, the Company changed its accounting policy with respect to exploration and evaluation expenditures. Previously, the Company capitalized exploration and evaluation expenditures directly related to specific mineral properties, net of any impairment.

Under the new policy, exploration and evaluation expenditures are recognized in profit or loss as incurred, up to the time a decision is made to proceed with the development of the related exploration property due to the existence of recoverable reserves. A mineral resource is considered to have economic potential when it is expected that a documented resource can be legally and economically developed considering forecast metal prices. Management believes that this treatment provides a more accurate depiction of the Company’s activities.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

3. CHANGE IN ACCOUNTING POLICY (continued)

Exploration and evaluation expenditures (continued)

As provided by IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Company has accounted for this change on a retrospective basis. The impact of this change is as follows:

Consolidated Statements of Financial Position

As at	March 31, 2020	April 1, 2019
	\$	\$
Total exploration and evaluation assets, as previously reported	26,480,271	22,676,881
Effect of change in accounting policy	<u>(20,532,326)</u>	<u>(19,059,670)</u>
Total exploration and evaluation assets, restated	<u>5,947,945</u>	<u>3,617,211</u>
Deficit, as previously reported	(20,293,877)	(19,839,177)
Effect of change in accounting policy	<u>(20,532,326)</u>	<u>(19,059,670)</u>
Total deficit, restated	<u>(40,826,203)</u>	<u>(38,898,847)</u>

Consolidated Statement of Loss and Comprehensive Loss
Six months ended September 30, 2019

	As Previously Reported	Effect of Change in Accounting Policy	Restated
	\$	\$	\$
Exploration expenditures	-	1,079,698	1,079,698
Net loss and comprehensive loss for the period	(670,280)	(1,079,698)	(1,749,978)
Loss per share, basic and diluted	(0.05)	(0.08)	(0.13)

Consolidated Statement of Cash Flows
Six months ended September 30, 2019

	As Previously Reported	Effect of Change in Accounting Policy	Restated
	\$	\$	\$
Cash Provided by (Used in) Operating Activities	27,647	(1,079,698)	(1,052,051)
Cash Provided by (Used in) Investing Activities	(1,239,553)	1,079,698	(159,855)

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

4. ACQUISITION OF BUCKINGHAM

On August 20, 2019, the Company completed a plan of arrangement with Buckingham Copper Corp. (“**Buckingham**”), which resulted in the acquisition of Buckingham (the “**Buckingham Acquisition**”), with Buckingham shareholders receiving one half of a common share of the Company for each Buckingham common share held, resulting in 1,249,005 QuestEx common shares issued. The acquisition also resulted in all outstanding Buckingham warrants being converted to QuestEx warrants at the same ratio as the common shares (the “**Replacement Warrants**”), resulting in an additional 210,000 QuestEx warrants outstanding and exercisable at \$1.20 until August 20, 2022.

At the time of the Buckingham Acquisition, Buckingham’s assets consisted primarily of cash, receivables and prepaids, and exploration and evaluation assets, and it did not have any processes capable of generating outputs; therefore, Buckingham did not meet the definition of a business. Accordingly, as Buckingham did not qualify as a business in accordance with IFRS 3 *Business Combinations*, the acquisition constituted an asset acquisition and has been accounted for as such.

As the acquisition was considered an asset acquisition, the excess of value of consideration paid over net assets acquired was allocated to Buckingham’s Moat and Sofia properties.

The fair value of the common shares amounted to \$1,249,005, based on the trading price of the Company’s shares on the issuance date. The fair value of the Replacement Warrants, in accordance with IFRS 2, was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Market price of shares	\$	1.00
Exercise price	\$	1.20
Risk-free interest rate		1.19%
Expected stock price volatility		102%
Expected dividend yield		0.0%
Expected life in years		3.0
Fair value	\$	0.06

The Company considered the Buckingham transaction an asset acquisition with details as follows:

Consideration paid:	\$
Issuance of 1,249,005 common shares at \$1.00/share	1,249,005
Transaction costs	375,096
Fair value of 210,000 Replacement Warrants issued	124,703
Total	<u>1,748,804</u>
Assets acquired:	\$
Cash	20,241
Receivables	26,385
Prepaids	38,854
Exploration and evaluation assets - Moat	851,740
Exploration and evaluation assets - Sofia	1,129,660
Loan to Colorado	200,000
Liabilities assumed:	
Accounts payable	(518,076)
Total	<u>1,748,804</u>

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

4. ACQUISITION OF BUCKINGHAM (continued)

Upon completion of the plan of arrangement, the \$200,000 loan owed by QuestEx to Buckingham became an intercompany balance.

5. CASH AND CASH EQUIVALENTS, RESTRICTED CASH

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Cash equivalents are held in cashable guaranteed investment certificates. Restricted cash relates to the portion of proceeds received on issuance of flow-through (“**FT**”) shares received but not yet spent at the end of the reporting period.

During the six months ended September 30, 2020, \$28,388 of cash held in the Company's dormant wholly-owned Mexican subsidiary Colorado Gold S.A. de C.V. was written off due to uncertainty of recovery.

6. MARKETABLE SECURITIES

Marketable securities consist of an investment of 1,264,000 (March 31, 2020: 1,264,000) common shares of Damara Gold Corp. (“**Damara**”). The Company's marketable securities are measured at fair value through profit or loss (“**FVTPL**”). The fair value of the marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation.

A summary of the changes in FVTPL investments is presented below:

	\$
Balance, March 31, 2020	25,280
Unrealized gain on FVTPL investment	<u>44,240</u>
Balance, September 30, 2020	<u><u>69,520</u></u>

7. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company on its Hit, North ROK, Coyote, Heart Peaks, KSP and Moat properties. The reclamation deposits are held with the Ministry of Energy and Mines in BC. As at September 30, 2020, reclamation bonds included guaranteed investment certificates with maturity dates ranging from November 26, 2020 to September 2, 2021.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

8. EQUIPMENT

A summary of the changes in property, plant and equipment is presented below:

	Furniture & fixtures	Office equipment	Field equipment	Total
	\$	\$	\$	\$
Cost				
Balance, March 31, 2020	13,775	61,586	285,687	361,048
Additions	-	8,335	-	8,335
Write-off of old equipment	(13,775)	(58,385)	(285,687)	(357,847)
Balance, September 30, 2020	-	11,536	-	11,536
Accumulated Depreciation				
Balance, March 31, 2020	12,975	56,662	285,687	355,324
Depreciation for the period	800	2,727	-	3,527
Write-off of old equipment	(13,775)	(58,385)	(285,687)	(357,847)
Balance, September 30, 2020	-	1,004	-	1,004
Carrying Amount				
Balance, September 30, 2020	-	10,532	-	10,532

During the six months ended September 30, 2020, the Company wrote off certain equipment that was fully depreciated and either not owned anymore or did not have any further value.

9. RIGHT-OF-USE ASSET AND LEASE LIABILITY

On transition to IFRS 16, the Company had a lease agreement for its office space in Kelowna, BC. Effective January 1, 2020, the Kelowna office was subleased by the Company. The Company classified the sublease as a finance lease and derecognized the ROU asset in respect of the sublease, for which a net investment in sublease of \$68,375 was recorded.

Effective March 1, 2020, the Company entered into a lease agreement for office space in Vancouver, BC. The ROU asset for the Vancouver office is being amortized on a straight-line basis until the end of the lease term of March 2022.

Effective June 12, 2020, the Company entered into a lease agreement for office space in Richmond, BC. The ROU asset for the Richmond office is being amortized on a straight-line basis until the end of the lease term of June 2021.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

9. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)

The continuity of the ROU asset and lease liability for the six months ended September 30, 2020 is as follows:

Right-of-use assets	\$
Value of ROU asset as at March 31, 2020	29,329
Addition of ROU asset during the period	25,908
Depreciation	<u>(14,722)</u>
Value of ROU asset as at September 30, 2020	<u><u>40,515</u></u>
Lease liability	\$
Lease liability recognized as of March 31, 2020	103,528
Addition to lease liability during the period	25,907
Interest on lease liability, net	-
Lease payments	<u>(28,579)</u>
Lease liability recognized as of September 30, 2020	<u><u>100,856</u></u>
Current portion	65,882
Non-current portion	<u>34,974</u>
	<u><u>100,856</u></u>
Investment in Sublease	\$
Balance, March 31, 2020	62,417
Sub-lease income	<u>(12,459)</u>
Balance, September 30, 2020	<u><u>49,958</u></u>
Current portion	27,264
Non-current portion	<u>22,694</u>
	<u><u>49,958</u></u>

The future minimum lease payments as of September 30, 2020 were as follows:

Year ending March 31	\$
2021	49,414
2022	79,027
2023	<u>13,952</u>
	142,393
Less: common area maintenance excluded from ROU asset	(31,600)
Less: amount representing interest payments	<u>(9,937)</u>
Present value of net minimum lease payments	<u><u>100,856</u></u>

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is presented below:

	North ROK	Coyote	KSP	KingPin	Castle	Sofia	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, March 31, 2020 and September 30, 2020	590,966	58,447	2,389,056	137,013	1,641,238	1,131,226	5,947,946

BRITISH COLUMBIA

a) North ROK Property

QuestEx holds a 100% interest in the North ROK property located approximately 65 kilometres (“km”) south of Dease Lake and straddles Highway 37 approximately 15 km northwest of Imperial Metals’ Red Chris mine in northern BC. The North ROK property is subject to a 2% net smelter return (“NSR”) royalty which can be repurchased in its entirety.

b) Coyote Property

QuestEx holds a 100% interest in the Coyote property which is located south of the North ROK property approximately 75 km south of Dease Lake on the east side of Highway 37 approximately 10 km northwest of Imperial Metals’ Red Chris mine in northern BC. The Coyote property is subject to various NSRs, a portion of which can be repurchased.

c) KSP Property

QuestEx holds a 100% interest in the KSP property located to the southeast of the past-producing Snip Mine, BC. The KSP property is subject to various NSRs, portions of which can be repurchased.

d) KingPin Property

The Company holds a 100% interest in several mineral claims located in the Golden Triangle area in northwest BC. The KingPin property is subject to various NSRs, portions of which can be repurchased.

e) Castle Property

Colorado holds a 100% interest in the Castle Property located in the Liard Mining District of BC, subject to a 2% NSR, of which the NSR can be repurchased in its entirety.

On August 20, 2019, the Company acquired a property option agreement (the “**Moat Option Agreement**”) as part of the Buckingham acquisition (Note 4). Under the Moat Option Agreement, the Company can acquire the undivided 100% right, title and interest to a group of mining claims (the “**Moat Property**”), subject to a 2.5% NSR.

On December 11, 2019, the Company issued 689,655 common shares to the optionor of the Moat Property valued at \$344,828 which was capitalized to exploration and evaluation assets.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

10. EXPLORATION AND EVALUATION ASSETS (continued)

In order to earn a 100% interest in the Moat Property, the Company has the following commitments:

- issue \$500,000 in common shares by December 27, 2020; and
- issue \$700,000 in common shares by December 27, 2021.

The Moat Property adjoins the Castle Property to the east and southeast and has become part of Castle for exploration work and reporting purposes. In connection with the Buckingham acquisition, the Company allocated \$851,740 in acquisition costs (see Note 4).

f) Sofia Property

On August 20, 2019, the Company acquired a property option agreement as part of the Buckingham Acquisition (Note 4). As a result, the Company holds a 100% interest in a group of mining claims in the Liard Mining Division of Northeast BC. The Sofia property is subject to a 2% NSR, a portion of which can be repurchased.

In connection with the Buckingham acquisition, the Company allocated \$1,129,660 in acquisition costs (see Note 4).

g) Other

Other properties in which the Company owns a 100% interest include the GJ Key property, the GS property, the Stu property and Iskut claims, all located near Stewart, BC, Hearts Peak northwest of Dease Lake and the Hit property in the Aspen Grove district of southern BC. Certain additional early stage and grassroots exploration properties are located in the Macmillan Pass area of northern Yukon Territory. As at September 30, 2020, these properties had a carrying value of \$Nil.

On November 23, 2020, the Company announced the sale of its portfolio of properties in Yukon's Macmillan Pass district to Fireweed Zinc Ltd. ("**Fireweed**"). QuestEx will receive a cash payment of \$100,000 and 350,000 common shares of Fireweed in exchange for a 100% interest in four properties totaling approximately 72 square km. QuestEx will retain a 0.5% NSR royalty for base metals and silver, and a 2% NSR royalty for gold on each of the properties. The transaction is subject to final TSX-V approval.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following amounts:

	September 30, 2020	March 31, 2020
	\$	\$
Accounts payable	236,592	181,901
Accrued liabilities	261,742	113,627
Due to related parties (see Note 19(b))	48,214	73,705
	<u>546,548</u>	<u>369,233</u>

During the six months ended September 30, 2020, the Company applied for the COVID-19 Relief Line of Credit through the Government sponsored Canada Emergency Business Account. On June 5, 2020, the Company received the amount of \$40,000. On January 1, 2021, this operating line of credit will be converted to a 2-year 0% interest term loan, to be repaid by December 31, 2022. \$10,000 of the loan will be forgiven if \$30,000 is repaid in full on or before December 31, 2022. The amount of \$30,000 is included in accrued liabilities.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

12. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

	\$
Balance, March 31, 2020	631,720
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(138,391)</u>
Balance, September 30, 2020	<u><u>493,329</u></u>

As at September 30, 2020, an amount of \$924,992 in qualifying Canadian exploration expenditures remained to be spent pursuant to a private placement of FT shares that was completed on March 31, 2020. The amount must be spent by December 31, 2021.

13. LOAN

Newmont Loan

On September 13, 2018, the Company obtained a secured loan of \$500,000 (the "**Loan**") from Goldcorp Inc. ("**Goldcorp**"). Terms of the Loan included interest at a rate of 8% per annum compounded monthly, a maximum term of twelve months, maturing on September 13, 2019 (the "**Maturity Date**") with early repayment provisions, and security against the Company's KSP, Castle, North ROK and Coyote properties.

Additional terms included the Company's option to pay interest in cash or, subject to the approval of the TSX-V, in shares (the "**Interest Shares**"). The issue price of any Interest Shares was set at the lower of the 10-day volume weighted average price and the closing price of Colorado's common shares on the last trading day prior to payment.

On April 18, 2019, Goldcorp was acquired by Newmont Mining Corporation ("**Newmont**").

In connection with the Loan, the Company issued the following common shares (the "**Bonus Shares**") pursuant to the terms of the Loan:

- 25,000 Bonus Shares to Goldcorp on September 18, 2018, valued at \$21,250 being the market price of the shares of \$0.85 on the date of issuance; and
- 25,000 Bonus Shares to Newmont on August 20, 2019, valued at \$21,250 as a result of the Loan being repaid after the six-month anniversary (recorded as Finance Charge on the statement of loss and comprehensive loss).

On August 20, 2019, Newmont exercised its pre-emptive right and subscribed for 633,672 units of Colorado at a price of \$0.85 per unit for aggregate proceeds of \$538,621, with each unit consisting of one common share and one-half of one common share purchase warrant exercisable at \$1.20 for three years, thereby extinguishing the Company's loan amount of \$500,000, the related interest of \$38,621 and releasing the security against the properties.

Buckingham Loan

In order to provide the Company with bridge financing, Buckingham provided a \$200,000 non-recourse subordinated loan to the Company. On August 20, 2019, the Company and Buckingham closed the Buckingham Acquisition, resulting in Buckingham being a wholly-owned subsidiary of the Company and the loan becoming an intercompany balance (see Note 4).

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

14. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value

b) Share issuance details

Six months ended September 30, 2020

On September 28, 2020, the Company completed a non-brokered private placement, issuing 2,533,535 units (the “Units”) at an issue price of \$0.70 for gross proceeds of \$1,773,475. Each Unit consisted of one common share of the Company and one-half of one share purchase warrant with each whole warrant entitling the holder to acquire an additional common share of the Company at an exercise price of \$1.00 per share, with an expiry of September 28, 2022.

In connection with the private placement, share issue costs totaled \$67,685 consisting of cash fees of \$47,040 earned by finders, 31,200 finder warrants with a fair value of \$9,220 and having the same terms as those in the private placement; and regulatory fees of \$11,425.

The finders’ fees of \$47,040 were paid in October 2020 and consequently the full amount was included in accounts payable and accrued liabilities at September 30, 2020.

Six months ended September 30, 2019

- On August 20, 2019, the Company completed a private placement, issuing 1,526,785 FT units at a price of \$1.20 per unit, and 2,206,993 non FT units at a price of \$0.85 per unit, for aggregate gross proceeds of \$3,708,086. Each FT unit consisted of one FT common share and one-half of one share purchase warrant, with each whole warrant exercisable at \$1.50 per share for three years. Each non FT unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant exercisable at \$1.20 per share for three years.

In connection with the private placement the private placement, the Company issued 688,885 agent warrants with a value of \$38,796, paid agents’ fees of \$82,140 and incurred other cash share issuance costs of \$124,201. Certain agent warrants are exercisable at \$1.50 per share for three years and the remaining agent warrants are exercisable at \$1.20 per share for three years.

- On August 20, 2019, Newmont exercised its pre-emptive right, pursuant to its Investor Rights Agreement with the Company and subscribed for 633,672 units of QuestEx at a price of \$0.85 per unit for aggregate proceeds of \$538,612, with each unit consisting of one common share of the Company and one-half of one share purchase warrant exercisable at \$1.20 per share for three years, thereby extinguishing the Company’s loan amount of \$500,000 plus related interest. In addition, the Company issued 25,000 Bonus Shares at a deemed value of \$0.85 per share pursuant to the Loan.
- On August 20, 2019, the Company completed the Buckingham Acquisition. Under the terms of the agreement and as consideration for the acquisition, the Company issued 1,249,005 common shares valued at the market price of \$1.00 per unit.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

c) Stock options

The Company has a 10% rolling stock option plan, whereby it can grant stock options to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price \$
Balance, March 31, 2020	905,000	1.40
Granted	1,071,130	0.99
Expired	(62,500)	1.50
Balance, September 30, 2020	<u>1,913,630</u>	<u>1.16</u>

The following stock options were outstanding as at September 30, 2020:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
7,500	7,500	0.80	December 30, 2020	0.25
30,000	30,000	4.40	June 6, 2021	0.68
40,000	40,000	2.60	June 6, 2022	1.68
765,000	478,125	1.20	September 5, 2024	3.93
31,000	7,750	0.90	April 1, 2025	4.50
105,000	26,250	0.90	June 29, 2025	4.75
<u>935,130</u>	<u>233,783</u>	<u>1.00</u>	<u>September 28, 2025</u>	<u>5.00</u>
<u>1,913,630</u>	<u>823,408</u>	<u>1.16</u>		<u>4.40</u>

During the six months ended September 30, 2020, the Company reclassified \$66,586 (2019: \$726,112) from share-based payments reserve to share capital with respect to options or share purchase warrants that expired or were forfeited during the period.

d) Share purchase warrants

A summary of the changes in share purchase warrants is presented below:

	Number of warrants	Weighted average exercise price \$
Balance, March 31, 2020	2,809,090	1.20
Issued pursuant to private placement	1,266,767	1.00
Finder warrants issued pursuant to private placement	31,200	1.00
Balance, September 30, 2020	<u>4,107,057</u>	<u>1.17</u>

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

d) Share purchase warrants (continued)

The following share purchase warrants were outstanding as at September 30, 2020:

Outstanding	Exercisable	Exercise Price	Expiry Date
		\$	
1,650,180	1,650,180	1.20	August 20, 2022
812,427	812,427	1.50	August 20, 2022
346,483	346,483	0.90	March 31, 2023
<u>1,297,967</u>	<u>1,297,967</u>	1.00	September 28, 2022
<u><u>4,107,057</u></u>	<u><u>4,107,057</u></u>		

The fair value of the 31,200 finder warrants issued pursuant to the September 28, 2020 private placement was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Market price of shares	\$	0.70
Exercise price	\$	1.00
Risk-free interest rate		0.23%
Expected stock price volatility		97%
Expected dividend yield		0.0%
Expected life in years		2.0
Fair value	\$	0.30

e) Share-based payments expense

The share-based payments expense for the stock options that vested during the six months ended September 30, 2020 was \$234,728 (2019: \$162,544).

The weighted average fair value at grant date of options granted during the six months ended September 30, 2020 was \$0.44 per option (2019: \$0.70).

The fair value of the stock options that were granted during the six months ended September 30, 2020 and 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2020</u>	<u>2019</u>
Risk-free interest rate	0.31%	1.32%
Expected stock price volatility	96%	116%
Expected dividend yield	0.0%	0.0%
Expected option life in years	5.0	5.0

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

15. EXPLORATION EXPENDITURES

The Company's exploration expenditures for the six months ended September 30, 2020 were as follows:

	North ROK	KSP	Castle	Sofia	Other	Total
	\$	\$	\$	\$	\$	\$
Exploration expenditures						
Salaries and overhead	7,626	40,235	83,874	95,914	-	227,649
Analysis	4,900	2,263	365	1,044	-	8,572
Camp	8,086	15,000	28,728	32,437	-	84,251
Consulting	2,314	40,738	33,382	113,818	1,750	192,002
Info tech and communications	699	-	2,681	1,391	-	4,771
Field equipment and fuel	7,478	-	4,494	7,646	-	19,618
Fuel	51	-	1,984	110	-	2,145
Helicopter	-	-	42,215	96,557	-	138,772
Labour	-	-	680	-	-	680
Travel and accommodation	496	951	10,353	20,990	-	32,790
Total exploration expenditures	31,650	99,187	208,756	369,907	1,750	711,250

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the six months ended September 30 consisted of the following:

	2020	2019
	\$	\$
Receivables	(85,100)	(100,638)
Prepaid expenses and deposits	11,562	(67,453)
Accounts payable and accrued liabilities	130,275	631,472
	<u>56,737</u>	<u>463,381</u>

Financing and investing activities that do not have a direct impact on cash flows are excluded from the condensed consolidated interim statement of cash flows.

The non-cash financing and investing transactions for the six months ended September 30, 2020 consisted of:

- the Company issuing 31,200 finder warrants with a fair value of \$9,220 in connection with the September 28, 2020 private placement; and
- finders' fees in an amount of \$47,040 were included in accounts payable and accrued liabilities at September 30, 2020.

The non-cash financing and investing transactions for the six months ended September 30, 2019 consisted of:

- the Company issuing 68,889 agent warrants with a fair value of \$38,796 in connection with the August 20, 2019 private placement;
- the Company issuing 633,672 common shares valued \$538,621 pursuant to the settlement of the Loan;
- the Company issuing 25,000 common shares valued at \$21,250 as bonus shares;
- the Company issuing 1,249,005 common shares valued at \$1,249,005 pursuant to the Buckingham Acquisition; and
- the Company issuing 210,000 Replacement Warrants valued at \$124,703 (see Note 4).

17. FINANCIAL INSTRUMENTS

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed consolidated interim financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

General Objectives, Policies and Processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of interest rate and commodity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash and guaranteed investment certificates are subject to floating interest rates.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company also holds marketable securities that are subject to changes in market price.

Foreign Exchange Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar and other foreign currencies will affect the Company's operations and financial results. The Company does not hold significant monetary assets or liabilities in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and receivables. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand and receivables are entered into with credit-worthy counterparties.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

General Objectives, Policies and Processes (continued)

Credit Risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to endeavour that it will have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. However, circumstances may arise where the Company is unable to meet those goals (See Note 1). The key to managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, when required the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities, lease liability and option payment commitments. The Company endeavours not to maintain any trade payables beyond a 30-day period to maturity.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for receivables, accounts payable and accrued liabilities approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities which include cash and cash equivalents and marketable securities, accounts payable and accrued liabilities;

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

17. FINANCIAL INSTRUMENTS (continued)

General Objectives, Policies and Processes (continued)

Fair Value Hierarchy (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) which include the net investment in sublease and lease liability; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments as at September 30, 2020 are as follows:

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at FVTPL			
Cash and cash equivalents	1,908,922	-	-
Restricted cash	924,992	-	-
Marketable securities	69,520	-	-
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	546,548	-	-

18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended March 31, 2020.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

19. RELATED PARTY TRANSACTIONS

A related party transaction is a transaction between the issuer and a related party of the issuer at the time the transaction is agreed to as a consequence of which the issuer directly or indirectly enters into specified transactions, including a purchase or sale of assets, borrowing or lending money, and forgiving debts or liabilities.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

19. RELATED PARTY TRANSACTIONS (continued)

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company. Transactions with key management personnel and their related parties are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

In addition to key management personnel, the Company transacted with the following related parties during the six months ended September 30, 2020 and 2019:

- Joseph E. Mullin LLC (“**Mullin LLC**”) is a private company controlled by the Company’s CEO, Mr. Joseph Mullin;
- TSquared Accounting Inc. (“**TSquared**”) is a private company controlled by the Company’s CFO, Mr. Tim Thiessen;
- Elemental Capital Partners LLP (“**Elemental**”) is a partnership controlled by the Company’s Chair of the Board, Mr. Fletcher Morgan;
- Barresi Geological Services Ltd. (“**Barresi Geo**”) is a private company controlled by the Company’s President, Mr. Tony Barresi;
- Minco Corporate Management Inc. (“**Minco**”), a private company controlled by the Company’s former CFO, Terese Gieselman;
- Anacott Resources Corp. (“**Anacott**”), a public company in which Mr. Morgan is the CEO and a director; and
- TDG Gold Corp. (“**TDG**”), a private company in which Mr. Morgan is the CEO and a director.

a) Related Party Transactions

The Company’s related party transactions for the six months ended September 30 were as follows:

		2020	2019
		\$	\$
Administration and labour	1	1,700	32,032
Consulting fees	2	129,000	26,831
Directors’ fees		-	25,000
Equipment rental	3	2,000	-
Salaries	4	79,441	53,918
Share-based payments expense	5	158,417	105,707
Total		<u>370,558</u>	<u>243,488</u>

1 Administration for the six months ended September 30, 2020 consisted of fees earned by Anacott. Administration and labour for the six months ended September 30, 2019 consisted of fees of \$6,513 earned by Minco and \$25,519 earned by Anacott.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020
(Unaudited - Expressed in Canadian dollars)

19. RELATED PARTY TRANSACTIONS (continued)

a) Related Party Transactions (continued)

- 2 Consulting fees for the six months ended September 30, 2020 consisted of \$60,000 of fees earned by Mullin LLC for CEO services, \$39,000 of fees earned by TSquared for CFO services and \$30,000 of fees earned by Elemental for Executive Chair services. Consulting fees for the six months ended September 30, 2019 consisted of fees of \$6,431 earned by Minco and \$20,400 earned by Mullin LLC for CEO services.
- 3 Equipment rental consisted of exploration equipment rented to the Company by Barresi Geo.
- 4 Salaries for the six months ended September 30, 2020 consisted of \$46,441 earned by the Company's Vice President of Exploration, Dave Fleming and \$33,000 earned by the Company's President, Tony Barresi. Salaries for the six months ended September 30, 2019 consisted of \$34,000 earned by the former CEO, Robert Shaw and \$19,918 earned by the former CFO, Eric Casey.
- 5 Share-based payments expense is the fair value of stock options that have been granted to key management personnel.

b) Related Party Balances

The following related party balances were included in receivables or accounts payable and accrued liabilities:

		September 30, 2020	March 31, 2020
Receivables	Service for:	\$	\$
TDG	Shared exploration costs ¹	42,262	-
Accounts Payable			
Anacott	Administration	39,814	37,005
Elemental	Executive Chairman	-	6,300
Mullin LLC	CEO	-	30,400
Tsquared	CFO	6,300	-
Barresi Geo	Equipment rental	2,100	-
		<u>48,214</u>	<u>73,705</u>

- ¹ During the six months ended September 30, 2020, the Company paid for certain shared exploration costs with TDG. This receivable of \$42,262 was received by the Company in November 2020.