SUNPEAK
METALS CORP

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Sun Peak Metals Corp.

Opinion

We have audited the accompanying consolidated financial statements of Sun Peak Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

May 12, 2020

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		December 31, 2019		December 31, 2018
ASSETS					
Current					
Cash	*4*	$	14,339,728	$	800,658
Receivables	*5*		14,780		20,259
Prepaid expenses	*6*		21,837		2,536
			14,376,345		823,453
Advance			52,195		-
Equipment	*7*		174,414		36,292
Exploration and evaluation assets	*8*		8,054		5,257
Deferred acquisition costs	*9*		785,876		239,702
		$	15,396,884	$	1,104,704
LIABILITIES					
Current					
Trade and other payables	*10*	$	721,241	$	84,710
EQUITY					
Share capital	*11*		5,316,413		2,316,413
Special Warrants	*11*		12,254,395		-
Reserve	*11*		47,589		-
Deficit			(2,942,754)		(1,296,419)
			14,675,643		1,019,994
		$	15,396,884	$	1,104,704
Nature of operations	*1*				
Subsequent events	*17*				

These consolidated financial statements are approved for issue by the Board of Directors on May 12, 2020.

On behalf of the Board:

/s/ David Awram Director /s/ Greg Davis Director

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

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		Year ended December 31,	
	Note	**2019**	**2018**
Expenses			
Consulting fees	*12*	$ 66,000	$ 72,000
Depreciation	*7*	10,867	6,843
Exploration and evaluation expenditures	*8*	892,022	278,030
Foreign exchange		39,739	(6,943)
Office expenses	*12*	54,114	77,623
Marketing	*12*	22,000	-
Professional fees		105,671	32,875
Salaries and benefits	*12*	346,624	333,796
Travel expenses		111,330	-
		(1,648,367)	(794,224)
Interest income		2,032	9,963
Loss and comprehensive loss for the year		$ (1,646,335)	$ (784,261)
Basic and diluted loss per share		$ (0.05)	$ (0.02)
Weighted average number of shares outstanding		36,403,361	33,287,140

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

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31, 2019	2018
Cash flows to operating activities		
Loss for the year	$ (1,646,335)	$ (784,261)
Items not involving cash:		
Depreciation	10,867	6,843
Change in non-cash working capital items:		
Receivables	5,479	(15,142)
Prepaid expenses	(19,301)	57
Trade and other payables	292,898	(38,615)
	(1,356,392)	(831,118)
Cash flows to investing activities		
Advance	(52,195)	-
Purchase of equipment	(148,989)	(41,875)
Exploration and evaluation assets	(2,797)	(5,257)
Deferred acquisition costs	(430,187)	(233,238)
	(634,168)	(280,370)
Cash flows from financing activities		
Proceeds from private placements	3,000,000	1,739,340
Proceeds from Special Warrants	12,668,904	-
Share issuance costs	(139,274)	-
	15,529,630	1,739,340
Increase in cash for the year	13,539,070	627,852
Cash, beginning of year	800,658	172,806
Cash, end of year	$ 14,339,728	$ 800,658
Non-cash investing and financing activities		
Finder's fees - Special Warrants	$ 132,825	$ -
Finder's fees - Broker warrants	47,589	-
Deferred acquisition costs included in trade and other payables	115,987	6,464
Share issuance costs included in trade and other payables	227,646	-
Shares issued for subscriptions received in advance	-	10,000
Supplementary information		
Interest paid	$ -	$ -
Income taxes paid	-	-

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

SUN PEAK METALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Number of shares	Share capital	Subscriptions received in advance	Special Warrants	Reserve	Deficit	Total
Balance, December 31, 2018	33,862,265	$ 2,316,413	$ -	$ -	$ -	$ (1,296,419)	$ 1,019,994
Private placements	7,500,000	3,000,000	-	-	-	-	3,000,000
Special Warrants	-	-	-	12,254,395	47,589	-	12,301,984
Loss and comprehensive loss for the year	-	-	-	-	-	(1,646,335)	(1,646,335)
Balance, December 31, 2019	41,362,265	$ 5,316,413	$ -	$ 12,254,395	$ 47,589	$ (2,942,754)	$ 14,675,643

	Number of shares	Share capital	Subscriptions received in advance	Special Warrants	Reserve	Deficit	Total
Balance, December 31, 2017	22,200,000	$ 567,073	$ 10,000	$ -	$ -	$ (512,158)	$ 64,915
Private placement	11,662,265	1,749,340	(10,000)	-	-	-	1,739,340
Loss and comprehensive loss for the year	-	-	-	-	-	(784,261)	(784,261)
Balance, December 31, 2018	33,862,265	$ 2,316,413	$ -	$ -	$ -	$ (1,296,419)	$ 1,019,994

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

1. NATURE OF OPERATIONS

Sun Peak Metals Corp. (the “Company”) is a private company incorporated pursuant to the provisions of the British Columbia Business Corporations Act on June 2, 2016. The Company organized its wholly owned subsidiary, Sun Peak Ethiopia Mining PLC (“Sun Peak Ethiopia”) under the provisions of the Commercial Code of Ethiopia on October 3, 2016. The Company’s head office and registered and records office address is Unit 1 – 15782 Marine Drive, White Rock, B.C. Canada V4B 1E6.

The Company’s principal business is the acquisition, exploration and development of resource properties for the mining of precious or base metals.

In addition to Sun Peak Ethiopia, the Company also has an agreement with Ezana Mining Development plc to earn an interest in Axum Metals Share Company (Note 9).

The Company intends to file a prospectus to qualify the listing of its common shares on the TSX Venture Exchange.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at December 31, 2019, the Company had working capital of $13,655,104. Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business. Risks include, but are not limited to, the ability of the Company to raise funds, the ability of the Company to conduct operations in the event of safety lockdowns, the inability to travel for professionals and contractors involved in exploration, regional travel and quarantine restrictions within the country, and the disruption of shipping material and samples to and from the project.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

Basis of measurement

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

2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the parent Company's functional currency as well as being the functional currency for the Company's Ethiopian subsidiary.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

The carrying value and the recoverability of exploration and evaluation assets - Management has determined that exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency - In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the parent Company as well as the Company's Ethiopian subsidiary is the Canadian dollar.

Capitalization of deferred acquisition costs - The Company has entered into agreements to acquire a company holding mineral projects. The expenditures incurred on the mineral projects are being accounted for as advances toward the purchase of a company interest in accordance with IFRS 10 and capitalized to the statement of financial position. Upon attaining control of such companies, the Company will consolidate as subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Ethiopian subsidiary, Sun Peak Ethiopia. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions in the financial statements of each entity in the Company.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a either a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of equipment, the choice dependant on which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates for office furniture, field equipment, and vehicles are 20% per annum on a declining balance basis.

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Exploration and evaluation assets

Upon acquiring the legal right to explore a mineral property, all direct costs related to the acquisition of exploration and evaluation assets will be capitalized as exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the acquisition of a mineral project or determination of the feasibility of mining operations and a decision to proceed with development are charged to profit or loss as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, will be capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company will assess exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Impairment

At each statement of financial position reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in operations, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) FVTOCI; or (iii) FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables are classified and measured at amortized cost. For the years presented, the Company does not have any derivative financial liabilities.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share capital

Common shares are classified as share capital. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as a deduction from equity.

Warrants

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares, special warrants, or units. Each special warrant will convert into common shares without additional consideration upon a triggering event. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to the expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency or finders’ fees or other transaction costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Adoption of new and revised standards and interpretations

On January 1, 2019, the Company adopted IFRS 16 – Leases (“IFRS 16”). IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the leased asset. For assets that meet the definition of a lease, IFRS 16 requires a single, on-balance sheet accounting model similar to finance lease accounting, with exceptions for short-term leases, leases of low value assets, and mineral exploration leases. The Company does not have any leases that fall within the application of IFRS 16.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2019 and have not been applied in preparing these consolidated financial statements. In addition, these standards are not expected to impact the Company.

(Expressed in Canadian dollars)

4. CASH

		December 31, 2019		December 31, 2018
Canadian dollar denominated deposits held in Canada	$	14,065,055	$	717,700
US dollar denominated deposits held in Canada		94,360		74,661
US dollar denominated deposits held in Ethiopia		139,212		-
Birr denominated deposits held in Ethiopia		41,101		8,297
Total	$	14,339,728	$	800,658

5. RECEIVABLES

		December 31, 2019		December 31, 2018
Amounts due from the Government of Canada pursuant to goods and services input tax credits	$	13,881	$	10,552
Interest receivable		-		3,924
Other		899		5,783
Total	$	14,780	$	20,259

6. PREPAID EXPENSES

		December 31, 2019		December 31, 2018
Prepaid insurance	$	8,817	$	-
Prepaid rent		10,366		2,536
Other		2,654		-
Total	$	21,837	$	2,536

(Expressed in Canadian dollars)

7. EQUIPMENT

		Office furniture		Field equipment		Vehicles		Total
Cost								
At December 31, 2017	$	1,575	$	-	$	-	$	1,575
Additions		-		41,875		-		41,875
At December 31, 2018		1,575		41,875		-		43,450
Additions		14,219		6,409		128,361		148,989
At December 31, 2019	$	15,794	$	48,284	$	128,361	$	192,439
Accumulated depreciation								
At December 31, 2017	$	315	$	-	$	-	$	315
Depreciation		1,260		5,583		-		6,843
At December 31, 2018		1,575		5,583		-		7,158
Depreciation		353		8,375		2,139		10,867
At December 31, 2019	$	1,928	$	13,958	$	2,139	$	18,025
Carrying amounts								
At December 31, 2018	$	-	$	36,292	$	-	$	36,292
At December 31, 2019	$	13,866	$	34,326	$	126,222	$	174,414

8. EXPLORATION AND EVALUATION ASSETS

		Nefasit Project		Adi Dairo Project		Total
December 31, 2017	$	-	$	-	$	-
Additions		5,257		-		5,257
December 31, 2018		5,257		-		5,257
Additions		-		2,797		2,797
December 31, 2019	$	5,257	$	2,797	$	8,054

Nefasit project

On January 1, 2018, Sun Peak Ethiopia was issued an exploration license pursuant to the Ethiopian Mining Proclamation to explore for minerals within a defined area (the “Nefasit project”) for an initial period of three years expiring on December 31, 2020. Provided the licensee has fulfilled the spending obligations of Birr 37,175,925 (approximately $1.7 million) specified in the license agreement, the exploration license may be renewed twice for additional terms of one year each and beyond under certain circumstances. Sun Peak Ethiopia paid $5,257 in license issuing fees to acquire the license. The project is subject to a 2% net smelter return (“NSR”) royalty (Note 11).

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Adi Da-iro project

On April 16, 2019, Sun Peak Ethiopia was issued an exploration license pursuant to the Ethiopian Mining Proclamation to explore for minerals within a defined area (the "Adi Da-iro project") for an initial period of three years expiring on April 15, 2022. Provided the licensee has fulfilled the spending obligations of Birr 41,127,665 (approximately $1.9 million) specified in the license agreement, the exploration license may be renewed twice for additional terms of one year each and beyond under certain circumstances. Sun Peak Ethiopia paid $2,797 in license issuing fees to acquire the license. The project is subject to a 2% NSR royalty (Note 11).

Exploration and evaluation expenditures included in the loss for the year ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Nefasit		
Project administration	$ 81,398	$ 55,752
Salaries and benefits	35,934	18,557
Studies and evaluations	527,800	165,461
Travel expenses	67,527	38,260
	712,659	278,030
Adi Da-iro		
Project administration	25,893	-
Salaries and benefits	11,978	-
Studies and evaluations	118,983	-
Travel expenses	22,509	-
	179,363	-
Total	$ 892,022	$ 278,030

9. DEFERRED ACQUISITION COSTS

	December 31, 2019	December 31, 2018
Opening balance	$ 239,702	$ -
Advances to Axum	97,410	-
Expenses paid on behalf of Axum	448,764	239,702
Closing balance	$ 785,876	$ 239,702

(Expressed in Canadian dollars)

9. DEFERRED ACQUISITION COSTS (continued)

On November 11, 2017, the Company entered into an option and joint venture shareholders' agreement (the "JV Agreement"), as amended, with Ezana Mining Development plc ("Ezana") that became effective on December 12, 2017, when the conditions precedent were met. Pursuant to the JV Agreement, the Company has an option to earn up to 70% in Axum Metals Share Company ("Axum"), which now holds the Terer and Meli exploration licenses. The Company may earn a 51% interest in Axum upon completion of US$5 million in expenditures within three years of the Terer and Meli licenses being held by Axum. Ezana transferred the Terer license to Axum in June 2019. It was determined that the Meli license was not validly transferable and accordingly, with the consent of Ezana and the Minister of Mines Petroleum and Natural Gas, in July 2019, Axum applied directly for an exploration license. The Meli license was issued to Axum in December 2019. The Meli license that had been held by Ezana was cancelled.

The Company is the operator of the program and is sole funding Axum.

After earning a 51% interest, the Company may then elect to continue to solely fund Axum through completion of a definitive feasibility study to earn an additional 16.5% interest in Axum. Within 60 days of Axum being granted a mining license, the Company will have an option to purchase an additional 2.5% interest in Axum from Ezana for a payment of US$6 million.

Terer project

On June 12, 2019, Axum was transferred an exploration license pursuant to the Ethiopian Mining Proclamation to explore for minerals within a defined area (the "Terer project") for the remainder of the exploration period that expires March 29, 2020. Provided the licensee has fulfilled the spending obligations of Birr 16,901,340 (approximately $800,000) specified in the license agreement, the exploration license may be renewed under certain circumstances. The project is subject to a 2% NSR royalty (Note 11).

On January 28, 2020, the Company made application for another one-year renewal (Note 17).

Meli project

On December 4, 2019, Axum was issued an exploration license pursuant to the Ethiopian Mining Proclamation to explore for minerals within a defined area (the "Meli project") for an initial period of three years expiring on December 3, 2022. Provided Axum has fulfilled the spending obligations of Birr 63,426,750 (approximately $3.0 million) specified in the license agreement, the exploration license may be renewed twice for additional terms of one year each and beyond under certain circumstances. The project is subject to a 2% NSR royalty (Note 11).

10. TRADE AND OTHER PAYABLES

	December 31, 2019	December 31, 2018
Trade and other payables in Canada	$ 404,436	$ 30,089
Trade and other payables in Ethiopia	236,699	27,306
Amounts due to related parties (Note 12)	80,106	27,315
Total	$ 721,241	$ 84,710

11. SHARE CAPITAL

a) Authorized share capital

The authorized share capital is comprised of an unlimited number of common shares without par value.

b) Issued share capital

During the year ended December 31, 2019, the Company completed the following:

a) On July 4, 2019, the Company completed a non-brokered private placement through the issue of 5,000,000 common shares at $0.40 per share for proceeds of $2,000,000 with each of the investees investing $1,000,000 each. The investees each received a 1% NSR royalty over 100% of the future production from the Adi Da-iro, Nefasit and Terer projects (Note 8 & 9).

b) On December 20, 2019, the Company completed a non-brokered private placement through the issue of 2,500,000 common shares at $0.40 per share for proceeds of $1,000,000 with each of the investees investing $500,000 each. The investees each received a 1.0% NSR royalty over 100% of the future production from the Meli project (Note 9).

c) On December 18, 2019 and December 23, 2019, the Company completed a non-brokered private placement through the issue of 36,196,869 special warrants ("Special Warrants") at $0.35 per Special Warrant for gross proceeds of $12,668,904. Each Special Warrant is exercisable into one common share of the Company and will, if not exercised earlier, be deemed to be exercised on the date that is the earlier of:
   a. the fifth business day after the date on which the Company obtains a receipt from the applicable securities commission(s) in Canada for the final prospectus qualifying the distribution of the common shares to be issued upon exercise or deemed exercise of the Special Warrants; and
   b. the date that is four months and a day after date of issuance of the Special Warrants.

   The Company paid finder's fees of $334,698 cash and 379,500 Special Warrants valued at $132,825.

   The Company issued 257,130 broker warrants valued at $47,589. The broker warrants are exercisable at $0.35 per share until December 18, 2021. The broker warrants were valued using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.74%; a volatility of 100%; an expected life of 2 years; a forfeiture rate of zero; and an expected dividend of zero.

   The Company also paid cash share issue costs of $32,222.

   In April and May 2020, the Company converted the Special Warrants into common shares of the Company for no additional consideration upon expiry of the Special Warrants (Note 17).

During the year ended December 31, 2018, the Company completed a non-brokered private placement through the issue of 11,662,265 common shares at $0.15 per share for proceeds of $1,749,340, of which $10,000 was received in 2017.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

c) Warrants

The continuity of warrants for the year ended December 31, 2019 is as follows:

Expiry date	*Exercise price*	Balance, December 31, 2018	Issued	Exercised	Expired	Balance, December 31, 2019
September 23, 2021	*$ 0.15*	8,200,000	-	-	-	8,200,000
September 23, 2021	*$ 0.15*	500,000	-	-	-	500,000
December 18, 2021	*$ 0.35*	-	257,130	-	-	257,130
		8,700,000	257,130	-	-	8,957,130
Weighted average exercise price		$ 0.15	$ 0.35	$ -	$ -	$ 0.16

The continuity of warrants for the year ended December 31, 2018 is as follows:

Expiry date	*Exercise price*	Balance, December 31, 2017	Issued	Exercised	Expired	Balance, December 31, 2018
September 23, 2021	*$ 0.15*	8,200,000	-	-	-	8,200,000
September 23, 2021	*$ 0.15*	500,000	-	-	-	500,000
		8,700,000	-	-	-	8,700,000
Weighted average exercise price		$ 0.15	$ -	$ -	$ -	$ 0.15

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS

a) Consulting fees

During the year ended December 31, 2019, the Company paid or accrued $66,000 (2018 - $72,000) to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by the Chief Financial Officer and the Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, a Corporate Secretary, and accounting and administrative staff to the Company.

b) Compensation of key management personnel

Key management includes members of the Board of Directors, the President and Chief Executive Officer, the Vice President Exploration & Geology, the Vice President Project Development, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which includes the amounts disclosed above, during the year ended December 31, 2019 and 2018 were as follows:

	Year ended December 31,	
	2019	**2018**
Consulting fees	$ 66,000	$ 72,000
Office expenses	37,267	27,409
Marketing	22,000	-
Salaries and benefits	298,000	333,796
Total	$ 423,267	$ 433,205

Amounts due to related parties for reimbursement of expenses are disclosed in Note 10. All amounts owed are unsecured and non-interest bearing.

13. SEGMENTED INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and evaluation.

With the exception of the cash disclosed in Note 4, all of the Company's significant assets are located in Ethiopia as at December 31, 2019 and 2018.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

		December 31, 2019	December 31, 2018
Cash	FVTPL	$ 14,339,728	$ 800,658
Receivables	Amortized cost	14,780	20,259
Trade and other payables	Amortized cost	721,241	84,710

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

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

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

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

The carrying values of receivables and trade and other payables approximate their fair values due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying value of cash was determined based on Level 1 of the fair value hierarchy.

Risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs. The Company`s receivables are primarily due from the government of Canada.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next sixty days. The Company has a working capital balance of $13,655,104 as at December 31, 2019.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity, political risk and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

(b) Foreign Exchange Risk: The Company expects to continue to raise equity predominately in Canadian dollars. The Company is primarily conducting business in Ethiopia. As such, it is subject to risk due to fluctuations in the exchange rate between the Canadian dollar and the Ethiopian Birr. Management believes the foreign exchange risk related to currency conversions is minimal and therefore, does not hedge its foreign exchange risk. The effect of a ten percent change in the foreign exchange rate on the cash held in Ethiopian Birr at December 31, 2019 would be insignificant.

(c) Commodity Price Risk: While the value of the Company's exploration and evaluation assets will be related to the price of gold and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

Historically, the price of gold has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

(d) Political Uncertainty Risk: In conducting operations in Ethiopia, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Ethiopia, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

(Expressed in Canadian dollars)

15. MANAGEMENT OF CAPITAL

The Company manages its common shares, warrants, and special warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition of exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not subject to externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure forecasts that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends.

The Company's investment policy is to keep its cash treasury on demand deposit in an interest bearing Canadian chartered bank account. The Company expects that its current capital resources will be sufficient to carry out its currently planned exploration and operations through the next twelve months (Note 1).

There have been no changes to the Company's approach to capital management for the years presented.

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended December 31,	
	2019	**2018**
Loss for the year	$ (1,646,335)	$ (784,261)
Expected income tax recovery	$ (445,000)	$ (212,000)
Change in statutory, foreign tax, foreign exchange rates and other	(35,000)	(6,000)
Permanent differences	10,000	(1,000)
Share issuance costs	(86,000)	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	62,000	-
Change in unrecognized deductible temporary differences	494,000	219,000
Total	$ -	$ -

(Expressed in Canadian dollars)

16. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets are as follows:

		December 31, 2019		December 31, 2018
Deferred tax assets (liabilities)				
Exploration and evaluation asset	$	204,000	$	117,000
Equipment		49,000		2,000
Share issuance costs		69,000		-
Non-capital losses available for future periods		522,000		231,000
Total unrecognized deferred tax assets	$	844,000	$	350,000

Deferred tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

		December 31, 2019	Expiry date range
Temporary differences			
Exploration and evaluation asset	$	681,000	No expiry date
Equipment		163,000	No expiry date
Share issuance costs		254,000	2040 to 2043
Non-capital losses available for future periods		1,892,000	See below
Canada		1,550,000	2036 to 2039
Ethiopia		342,000	2021 to 2024

Tax attributes are subject to review, and potential adjustment, by tax authorities.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company completed the following transactions:

a) On January 8, 2020, the Company completed a non-brokered private placement through the issue of 500,000 Special Warrants (Note 9) at $0.35 per Special Warrant for gross proceeds of $175,000.

b) On January 24, 2020, the Company adopted a rolling stock option plan (the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The maximum term of stock options is ten years from the grant date. The exercise price and vesting terms are at the discretion of the directors. Also, on January 24, 2020, the Company granted 4,100,000 stock options exercisable at a price of $0.35 per share for a period of five years.

c) On January 28, 2020, the Company made application for another one-year renewal on its Terer project (Note 9), being 60 days prior to the renewal date, with an expenditure commitment of 32,382,240 Birr (approximately $1.5 million). The Ministry of Mines is currently in the process of reviewing the application.

d) In April 15, 2020, the Company granted 100,000 stock options to a consultant exercisable at a price of $0.35 per share for a period of five years.

e) In April and May 2020, the Company issued 37,076,369 common shares of the Company on conversion of the Special Warrants, for no additional consideration, upon expiry of the Special Warrants (Note 11).