



**TURMALINA METALS CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

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

The accompanying unaudited 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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

This notice is being provided in accordance with National Instrument 51-102 – Continuous Disclosure Obligations.

**TURMALINA METALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
**AS AT**

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 12,808,766	\$ 5,360,725
Receivables and prepaid expenses (Note 3)	<u>351,786</u>	<u>325,095</u>
	13,160,552	5,685,820
Mineral property (Note 4)	<u>677,634</u>	<u>537,244</u>
	<u>\$ 13,838,186</u>	<u>\$ 6,223,064</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ <u>292,894</u>	\$ <u>483,792</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 6)	20,450,613	11,808,647
Contributed surplus (Note 6)	1,846,193	1,573,784
Deficit	<u>(8,751,514)</u>	<u>(7,643,159)</u>
	<u>13,545,292</u>	<u>5,739,272</u>
	<u>\$ 13,838,186</u>	<u>\$ 6,223,064</u>

**Nature and continuance of operations** (Note 1)

Approved and authorized by the Board on May 18, 2020.

<u>"Rohan Wolfe"</u>	Director	<u>"Bryan Slusarchuk"</u>	Director
Rohan Wolfe		Bryan Slusarchuk	

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

**TURMALINA METALS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
<b>EXPENSES</b>		
Consulting fees (Note 5)	\$ 48,592	\$ 24,001
Directors and advisory fees (Note 5)	34,401	12,000
Exploration costs (Note 4 and 5)	347,516	98,205
Foreign exchange	(27,209)	2,365
Investor relations	44,198	-
Management fees (Note 5)	50,198	49,838
Marketing and shareholder communications	270,440	11,949
Office and administrative expenses	34,391	4,410
Professional fees (Note 5)	82,207	83,915
Property investigation (Note 5)	32,444	29,757
Transfer agent, filing and listing fees	38,318	-
Travel	164,669	82,211
<b>Loss from operations</b>	<b>(1,120,165)</b>	<b>(398,651)</b>
Interest income	11,810	-
<b>Loss and comprehensive loss for the period</b>	<b>\$ (1,108,355)</b>	<b>\$ (398,651)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>53,860,576</b>	<b>20,760,222</b>

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

**TURMALINA METALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,108,355)	\$ (398,651)
Non-cash working capital item changes:		
Receivables and prepaid expenses	(26,691)	(8,292)
Accounts payable and accrued liabilities	<u>(190,898)</u>	<u>28,002</u>
Net cash used in operating activities	<u>(1,325,944)</u>	<u>(378,941)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of mineral property	<u>(140,390)</u>	<u>(67,512)</u>
Net cash used in investing activities	<u>(140,390)</u>	<u>(67,512)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	9,775,115	740,000
Share issuance costs	(860,740)	-
Subscriptions received in advance	<u>-</u>	<u>272,500</u>
Net cash provided by financing activities	<u>8,914,375</u>	<u>1,012,500</u>
<b>Change in cash for the period</b>	7,448,041	566,047
<b>Cash, beginning of period</b>	<u>5,360,725</u>	<u>22,965</u>
<b>Cash, end of period</b>	<u>\$ 12,808,766</u>	<u>\$ 589,012</u>

During the period ended March 31, 2019 the Company issued 2,060,000 shares in settlement of accounts payable and accrued liabilities of \$260,000. There were no other significant non-cash financing and investing activities during the periods ended March 31, 2020 and 2019. No cash was paid for interest or taxes for the periods ended March 31, 2020 and 2019.

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

**TURMALINA METALS CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)

	Number	Amount	Subscriptions received in advance	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2018</b>	17,600,000	\$ 2,198,752	\$ 12,500	\$ -	\$ (2,428,276)	\$ (217,024)
Shares issued for cash	6,020,000	752,500	(12,500)	-	-	740,000
Shares issued for debt	2,080,000	260,000	-	-	-	260,000
Subscriptions received in advance	-	-	272,500	-	-	272,500
Loss for the period	-	-	-	-	(398,651)	(398,651)
<b>Balance, March 31, 2019</b>	25,700,000	3,211,252	272,500	-	(2,826,927)	656,825
Shares issued for cash	23,250,000	8,824,375	(272,500)	-	-	8,551,875
Share issuance costs – cash	-	(226,980)	-	-	-	(226,980)
Share-based payments	-	-	-	1,573,784	-	1,573,784
Loss for the year	-	-	-	-	(4,816,232)	(4,816,232)
<b>Balance, December 31, 2019</b>	48,950,000	11,808,647	-	1,573,784	(7,643,159)	5,739,272
Shares issued for cash	13,964,450	9,775,115	-	-	-	9,775,115
Share issuance costs	-	(1,133,149)	-	272,409	-	(860,740)
Loss for the period	-	-	-	-	(1,108,355)	(1,108,355)
<b>Balance, March 31, 2020</b>	62,914,450	\$ 20,450,613	\$ -	\$ 1,846,193	\$ (8,751,514)	\$ 13,545,292

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

**TURMALINA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Turmalina Metals Corp. (the “Company”) was incorporated in Canada under the British Columbia Corporations Act on March 21, 2017. The Company is principally engaged in the acquisition and exploration of resource properties. The Company’s shares are publicly traded on the TSX Venture Exchange (the “TSXV”) under the symbol TBX. The head office, records office, and principal address of the Company is 400-850 West Hastings Street, Vancouver, British Columbia, V6C 1E1. The Company changed its name to Turmalina Metals Corp from Turmalina Copper Corp., on June 24, 2019 and to Turmalina Copper Corp., from 1112002 B.C. Ltd., on July 25, 2018. The Company is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. 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 or ability to raise funds.

The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, necessary financings, or generate profitable operations in the future.

**2. BASIS OF PREPARATION****Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2019

**TURMALINA METALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**2. BASIS OF PREPARATION (cont'd...)**

**Basis of Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, Aurora Mining S.A. (Argentina – 95% owned) and Aurora Copper Peru S.A.C. (Peru – 99.99% owned). The subsidiaries' principal activity is mineral exploration.

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated upon consolidation.

**Basis of Measurement**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried 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.

**Significant Accounting Judgments and Estimates**

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant estimates relate to the valuation of deferred income tax amounts, impairment testing and calculation of share-based payments. Share-based payments, as measured with respect to the fair value of common shares issued. The Company has reviewed its exploration and evaluation assets for indications of impairment and adjusted the carrying values of the exploration and evaluation assets to reflect management's decision to impair certain properties. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred tax assets.

The most significant judgments relate to the functional currency of the Company and its subsidiaries.



**TURMALINA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

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FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

**3. RECEIVABLES AND PREPAID EXPENSES**

	March 31, 2020	December 31, 2019
Goods and service tax (“GST”) receivable	\$ 69,789	\$ 41,651
Other receivables and prepayments	18,725	18,402
Prepayments	<u>263,272</u>	<u>265,042</u>
Total	<u>\$ 351,786</u>	<u>\$ 325,095</u>

**4. MINERAL PROPERTY****El Tapau Project, Argentina**

On September 24, 2018, the Company entered into an option agreement with third parties to acquire a 100% interest in certain claims known as the El Tapau Project, Argentina. The Company can acquire a 100% interest in the property by making payments and incurring exploration expenditures and drilling as follows:

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)	Minimum Drilling (Meters)
September 24, 2018 (paid)	40,000	-	-
September 24, 2019 (paid and completed)	70,000	300,000	-
September 24, 2020	100,000	-	3,000
September 24, 2021	250,000	-	4,000
September 24, 2022	<u>1,000,000</u>	<u>750,000</u>	-
	<u>1,460,000</u>	<u>1,050,000</u>	<u>7,000</u>

The third parties retain a 2.5% Net Smelter Returns royalty, which the Company may purchase for a payment of USD\$2,500,000.

**Cerro Negro Project, Argentina**

On September 25, 2018, the Company entered into an option agreement with third parties to acquire a 100% interest in certain claims known as the Cerro Negro Project, Argentina. The Company can acquire a 100% interest in the property by making payments and incurring exploration expenditures as follows:

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)
Upon signing LOI (paid)	5,000	-
September 25, 2018 (paid)	15,000	-
Upon receiving drilling permits (paid)	30,000	-
September 25, 2019 (paid and completed)	50,000	300,000
September 25, 2020	100,000	500,000
September 25, 2021	250,000	500,000
September 25, 2022	<u>1,000,000</u>	<u>750,000</u>
	<u>1,450,000</u>	<u>2,050,000</u>

The third parties retain a 2% Net Smelter Returns royalty, of which the Company may purchase 55%, or 1.1%, of the NSR for a payment of USD\$1,250,000.

**TURMALINA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

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FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

**4. MINERAL PROPERTY (cont'd...)****Canchaque Project, Peru**

On March 9, 2019, which was subsequently amended on September 6, 2019, the Company entered into an option agreement, with third parties, to acquire a 100% interest in certain claims located in Peru, comprising the Canchaque Project. The Company can acquire a 100% interest in the property by making the amended payments and incurring exploration expenditures as follows:

	Cash Payment (USD \$)	Cash payment Portion Optional to issue in Shares	Minimum Exploration Expenditures (USD \$)	Minimum Drilling (Meters)
March 9, 2019 (paid)	50,000	0%	-	-
September 9, 2019 (paid)	60,000	0%	-	-
November 9, 2019 (paid)	40,000	0%	-	-
March 9, 2020 (paid)*	50,000	0%	-	-
September 9, 2020*	100,000	0%	-	-
March 9, 2021*	250,000	50%	500,000	2,000
September 9, 2021*	300,000	50%	-	-
March 9, 2022*	300,000	50%	500,000	2,500
September 9, 2022*	400,000	50%	-	-
March 9, 2023*	400,000	50%	750,000	3,000
September 9, 2023*	500,000	50%	-	-
March 9, 2024*	2,450,000	25%	750,000	4,000
	<u>4,900,000</u>		<u>2,500,000</u>	<u>11,500</u>

\*During the period, the Company exercised an option within the agreement to extend all payments by six months by paying USD\$50,000. As the Company paid the USD\$50,000, the final payment due will be decreased by USD\$50,000 to USD\$2,450,000.

In addition to the items listed above, the Company will issue 500,000 common shares to the owners of the property provided that two conditions are met; the completion of the listing of the common shares of the Company on a stock exchange, and the Company obtaining all necessary permits to commence drilling on the property.

The third parties will retain a 2% Net Smelter Returns royalty, which will be converted into a payment of USD \$2,500,000 in the event of: (i) commencement of commercial production; or (ii) the sale of the project to a party not affiliated with the Company; or (iii) an outright sale of or a change of control of the Company. Certain mining concessions are subject to Net Smelter Returns royalties of 1.5% which the Company can acquire for USD \$750,000. The USD\$ 750,000 will be deducted from the payment noted above.

During the year ended December 31, 2019, the Company acquired additional claims contiguous to the Canchaque Project for \$54,248.

**Chanape Project, Peru**

On March 13, 2020, the Company entered into an option agreement, with third parties, to acquire a 100% interest in certain claims located in Peru, comprising the Chanape Project. The Company can acquire a 100% interest in the property by making total cash payments of \$3,410,000 and by incurring exploration expenditures of US\$2,000,000 as follows:

**TURMALINA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

**4. MINERAL PROPERTY (cont'd...)****Chanape Project, Peru (cont'd...)**

	Cash Payment (USD \$)	Minimum Exploration Expenditures (USD \$)
Upon signing LOI (paid)	10,000	-
February 22, 2020 (paid)	18,727	-
Execution of definitive agreement (paid)	22,000	-
April 30, 2020	9,273	-
September 13, 2020	40,000	-
March 13, 2021	50,000	250,000
September 13, 2021	60,000	-
March 13, 2022	100,000	500,000
September 13, 2022	120,000	-
March 13, 2023	180,000	500,000
September 13, 2023	250,000	-
March 13, 2024	350,000	750,000
March 13, 2025	2,200,000	-
	<u>3,410,000</u>	<u>2,000,000</u>

The third parties retain a 2% Net Smelter Returns royalty, of which the Company may purchase 1%, (50%) of the NSR for a payment of USD\$1,200,000.

During the three months ended March 31, 2020, the Company has incurred acquisition costs as follows:

<i>Acquisition Costs</i>	El Tapau Project	Cerro Negro Project	Canchaque Project	Chanape Project	Total
Opening balance, December 31, 2018	\$ 52,259	\$ 26,047	\$ -	\$ -	\$ 78,306
Additions	95,571	108,263	255,104	-	458,938
Closing balance, December 31, 2019	147,830	134,310	255,104	-	537,244
Additions	-	-	68,621	71,769	140,390
Closing balance, March 31, 2020	\$ 147,830	\$ 134,310	\$ 323,725	\$ 71,769	\$ 677,634

During the three months ended March 31, 2020, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	El Tapau Project	Cerro Negro Project	Canchaque Project	Total
Assay	\$ 15,665	\$ 15,665	\$ -	\$ 31,330
Equipment rental	3,420	3,420	-	6,840
Field expenditures	39,217	39,216	5,750	84,183
Geological consulting	59,204	59,202	9,053	127,459
Project administration & community relations	4,227	4,243	25,193	33,663
Project Management	30,297	30,297	-	60,594
Travel	1,668	1,668	111	3,447
	<u>\$ 153,698</u>	<u>\$ 153,711</u>	<u>\$ 40,107</u>	<u>\$ 347,516</u>

**TURMALINA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

**5. RELATED PARTY TRANSACTIONS**

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the three months ended March 31, 2020 and 2019, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed consolidated interim financial statements:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Professional fees	\$ 15,000	\$ 30,000
Director fees	21,901	12,000
Exploration costs	60,594	29,757
Management fees	50,197	49,838
Property investigation	-	29,757
	<u>\$ 147,692</u>	<u>\$ 151,352</u>

As at March 31, 2020, \$23,922 (December 31, 2019 - \$38,037) was included in accounts payable and accrued liabilities owing to officers and directors of the Company in relation to professional fees and reimbursement of expenses.

During the year ended December 31, 2019 the Company issued 1,800,000 shares in settlement of \$225,000 in debt owing to an officer of the Company.

**6. SHAREHOLDERS' EQUITY (DEFICIENCY)****Authorized**

An unlimited number of common shares without par value.

**Escrow**

As at March 31, 2020, 34,950,000 common shares were held in escrow (December 31, 2019 – 34,950,000).

**Issued share capital**

During the three months ended March 31, 2020, the Company:

- Completed a brokered private placement consisting of 13,964,450 units at a price of \$0.70 for gross proceeds of \$9,775,115. Each unit comprises one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.90 per common share for a 24-month period, expiring February 28, 2022.

The Company paid finders fees of \$619,104, paid other share issuance costs of \$241,625, and issued 884,435 compensation warrants to the underwriters. Each warrant was valued at \$272,409 using Black-Scholes. Each warrant entitles the holder to purchase one additional common share at a price of \$0.70 per common share for a period of 24 months following closing, expiring February 28, 2022. The Company used the following assumptions when valuing the underwriters warrants: expected volatility of 100%, risk free interest rate of 1.14%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

**TURMALINA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

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FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

**6. SHAREHOLDERS' EQUITY (DEFICIENCY) (cont'd...)****Issued share capital (cont'd...)**

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

- a) Completed a non-brokered private placement consisting of 9,925,000 common shares at a price of \$0.125 per share for gross proceeds of \$1,240,625, of which \$12,500 was received in fiscal 2018; and 4,345,000 common shares at a price of \$0.25 for gross proceeds of \$1,086,250.
- b) Settled \$260,000 of debt via the issuance of 2,080,000 common shares.
- c) Completed a non-brokered private placement consisting of 1,000,000 common shares at a price of \$0.25 for gross proceeds of \$250,000.
- d) Completed a non-brokered private placement consisting of 14,000,000 subscription receipts at a price of \$0.50 per subscription receipt for aggregate gross proceeds of \$7,000,000. Each subscription receipt entitles the holder thereof to receive, without payment of any further consideration, one common share upon the satisfaction of the Escrow Release Conditions. The Company incurred \$226,980 in issuance costs.

The Escrowed Funds have been deposited into an interest-bearing escrow account, releasable to the Company upon the satisfaction of the Escrow Release Conditions, including the Company obtaining the receipt for the final prospectus. In the event that the Escrow Release Conditions are not satisfied, the Subscription Receipts will immediately become null, void and of no further force or effect and, as soon as reasonably possible, and in any event within ten (10) business days following the Escrow Deadline, the Escrowed Proceeds will be returned to the holders of Subscription Receipts in an amount per Subscription Receipt equal to: (i) the Escrowed Proceeds; and (ii) interest, if any, actually earned thereon to the date of the Escrow Deadline (less any applicable holdings taxes).

**Stock options and warrants**

Stock option and warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2018	-	\$ -	-	\$ -
Granted	4,225,000	0.50	-	-
Balance, December 31, 2019	4,225,000	0.50	-	-
Granted	-	-	7,866,660	0.88
Outstanding and Exercisable, March 31, 2020	4,225,000	\$ 0.50	7,866,660	\$ 0.88

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**FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019**

**6. SHAREHOLDERS' EQUITY (DEFICIENCY) (cont'd...)**

**Stock options and warrants (cont'd...)**

The following stock options were outstanding at March 31, 2020:

	Number	Exercise price	Expiry date	Remaining Life (years)
<b>Stock Options</b>				
	4,225,000	\$ 0.50	August 9, 2024	4.36
<b>Warrants</b>				
	6,982,225	0.90	February 28, 2022	1.92
<b>Agents Warrants</b>				
	884,435	0.70	February 28, 2022	1.92

**Share-based payments**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years with vesting determined by the board of directors.

The Company did not grant any stock options during the three months ended March 31, 2020. During the year ended December 31, 2019, the Company granted 4,225,000 options with a weighted-average fair value of \$0.37 per option to an advisor of the Company. Total share-based payments recognized in the statement of operations and comprehensive loss for the year ended December 31, 2019 was \$1,573,784 for incentive options granted, vested and repriced. This amount was also recorded as contributed surplus on the statement of financial position.

**Share-based payments**

The following weighted average assumptions were used for the valuation of stock options:

	March 31, 2020	December 31, 2019
Risk-free interest rate	-	1.31%
Expected life of options	-	5 years
Annualized volatility	-	100%
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%

**7. SEGMENT INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in multiple geographical location, refer to Note 4.

**TURMALINA METALS CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

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**8. FINANCIAL AND CAPITAL RISK MANAGEMENT**

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables are classified at amortized cost. Accounts payable and accrued liabilities are classified as amortized cost.

**Risk management**

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist of goods and services tax receivable from the government of Canada.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

*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 and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. As at March 31, 2020, the Company is not exposed to significant interest rate risk.

**TURMALINA METALS CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

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**8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

**Risk management (cont'd...)**

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity (deficiency).

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.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.