



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2020 and 2019
(in thousands of Canadian dollars)



TABLE OF CONTENTS

Interim Consolidated Statements of Financial Position.....	2
Interim Consolidated Statements of Comprehensive Earnings (Loss)	3
Interim Consolidated Statements of Cash Flows.....	4
Interim Consolidated Statements of Changes in Equity	5
Notes to Financial Statements.....	6

Interim Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)
(Unaudited)

As at	Note	June 30, 2020 \$	December 31, 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents		50,167	34,656
Marketable securities		146	158
Trade and other receivables	3	2,642	7,002
Inventories	4	16,718	15,039
Prepaid expenses		909	1,843
Asset held for sale	6	10,700	-
		81,282	58,698
Non-current assets			
Property, plant and equipment and mineral property interests	5	147,831	98,955
Investment in associates	6	2,565	19,696
Deferred tax asset		-	376
Other non-current assets		21	52
Total assets		231,699	177,777
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	23,790	25,320
Current tax liability		1,931	486
Share incentive plan liabilities		4,015	2,970
Debt	8	3,221	120
Lease obligations	9	1,369	479
Derivative financial liabilities	10	3,197	2,817
		37,523	32,192
Non-current liabilities			
Debt	8	35,601	30,777
Lease obligations	9	1,934	743
Asset retirement obligations	11	24,047	21,119
Deferred tax liability		5,702	-
Derivative financial liabilities	10	23,285	-
Other non-current liabilities and provisions		60	664
Total liabilities		128,152	85,495
SHAREHOLDERS' EQUITY			
Share capital	12	265,444	263,421
Contributed surplus		30,236	30,319
Accumulated other comprehensive income		5,019	6,051
Deficit		(197,152)	(207,509)
Total shareholders' equity		103,547	92,282
Total liabilities and shareholders' equity		231,699	177,777

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

Subsequent events (note 17)

Interim Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

(Expressed in thousands of Canadian dollars, except per share amounts)
(Unaudited)

For the periods ended June 30,		Three months ended,		Six months ended,	
		2020	2019	2020	2019
	Note	\$	\$	\$	\$
Revenue		56,100	17,249	110,382	28,112
Cost of operations:					
Production and processing costs		25,775	14,044	53,061	20,542
Royalty expense		5,114	1,439	9,451	2,548
General and administrative: share-based compensation		2,207	1,634	2,046	2,467
General and administrative: other		4,641	4,544	7,804	6,430
Depreciation and amortization		5,472	1,397	9,526	1,949
Operating earnings (loss)		12,891	(5,809)	28,494	(5,824)
Other expenses (income)					
Finance expense, net	13	769	420	1,750	627
Loss on derivatives	10	1,076	3,701	6,929	3,762
Foreign exchange loss (gain)		(12,222)	3,844	(4,507)	5,008
Net impairment loss	6	6,006	-	6,006	-
Share of loss of associates		8	197	425	504
Other income, net		12	377	(235)	200
Earnings (loss) before income tax		17,242	(14,348)	18,126	(15,925)
Income tax expense - current		(1,875)	-	(1,875)	-
Income tax expense - deferred		(5,549)	(104)	(5,894)	(104)
Net earnings (loss)		9,818	(14,452)	10,357	(16,029)
Currency translation adjustments		(4,004)	2,307	(1,032)	3,297
Comprehensive earnings (loss) for the period		5,814	(12,145)	9,325	(12,732)
Net earnings (loss) attributable to common shareholders per share					
Basic		0.07	(0.13)	0.08	(0.15)
Diluted		0.07	(0.13)	0.07	(0.15)
Weighted average number of shares					
Basic	12	135,605,419	112,307,082	135,362,683	108,180,559
Diluted	12	140,854,313	112,307,082	140,562,177	108,180,559

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

Subsequent events (note 17)



Interim Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

Karora Resources Inc.
Consolidated Statements of Cash Flows

For the periods ended June 30,		Three months ended,		Six months ended,	
		2020	2019	2020	2019
	Note	\$	\$	\$	\$
Cash flow provided by (used in)					
OPERATING ACTIVITIES					
Net earnings (loss) for the period		9,818	(14,452)	10,357	(16,029)
Changes not affecting cash:					
Net change in contract liabilities		-	317	-	(2,461)
Items not involving cash:					
Depreciation and amortization		5,335	1,471	9,470	2,045
Income tax expense		7,424	-	7,769	-
Share-based payments		1,936	1,500	1,713	858
Foreign exchange loss (gain)		(9,930)	3,448	(3,435)	4,652
Net change in fair value of derivative instruments		(2,497)	2,954	(1,999)	2,530
Impairment loss		6,006	-	6,006	-
Other non-cash adjustments	15	325	614	1,134	882
		18,417	(4,148)	31,015	(7,523)
Changes in non-cash working capital					
Trade and other receivables		4,131	(3,919)	4,369	(3,435)
Inventories		(2,529)	(1,622)	(457)	(2,160)
Prepaid expenses		463	(310)	934	-
Accounts payable, taxes and accrued liabilities		1,340	5,744	(2,563)	5,104
Net cash provided by (used in) operating activities		21,822	(4,255)	33,298	(8,014)
INVESTING ACTIVITIES					
Property, plant and equipment and mineral property interests		(10,523)	(5,651)	(18,225)	(13,394)
Acquisition of HGO, net of cash acquired		-	(21,597)	-	(21,597)
Net cash used in investing activities		(10,523)	(27,248)	(18,225)	(34,991)
FINANCING ACTIVITIES					
Issuance of shares, net of costs		-	10,840	-	18,967
Issuance of debt, net of costs		-	34,360	-	36,742
Repayments of debt		-	(6,589)	(20)	(6,619)
Proceeds from exercise of options and warrants		1,110	1,099	1,230	1,713
Payments on leases		(450)	(116)	(689)	(297)
Net cash provided by financing activities		660	39,594	521	50,506
Effect of exchange rate changes on cash and cash equivalents		(199)	1	(83)	3
Net increase in cash and cash equivalents		11,760	8,092	15,511	7,504
Cash and cash equivalents, beginning of period		38,407	752	34,656	1,340
Cash and cash equivalents, end of period		50,167	8,844	50,167	8,844
Components of cash and cash equivalents:					
Cash		50,001	8,736	50,001	8,736
Cash equivalents		166	108	166	108
		50,167	8,844	50,167	8,844

See note 15 for supplemental cash flow information.

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

Subsequent events (note 17)

Interim Consolidated Statements of Changes in Equity
(Expressed in thousands of Canadian dollars, except share numbers)
(Unaudited)

	Note	Share capital (note 12)		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
		Number	\$				
Balance as at January 1, 2020		135,059,766	263,421	30,319	6,051	(207,509)	92,282
Shares issued for consulting services	12	18,782	38	-	-	-	38
Exercise of stock options		825,185	1,926	(696)	-	-	1,230
Exercise of warrants		111	-	-	-	-	-
Exercise of restricted share units		26,476	59	-	-	-	59
Share-based payments		-	-	613	-	-	613
Comprehensive loss (earnings)		-	-	-	(1,032)	10,357	9,325
Balance as at June 30, 2020		135,930,320	265,444	30,236	5,019	(197,152)	103,547

	Share capital (note 12)		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
	Number	\$				
Balance as at December 31, 2018 as reported	99,180,465	196,094	28,709	1,863	(200,545)	26,121
Adjustment for IFRS 16 adoption	-	-	-	-	(22)	(22)
Balance as at January 1, 2019 as adjusted	99,180,465	196,094	28,709	1,863	(200,567)	26,099
Shares issued for consulting services	114,927	249	-	-	-	249
Shares issued for debt issue costs	325,430	700	-	-	-	700
Bought deal and over-allotment – January 2019	2,971,148	6,150	-	-	-	6,150
Private placement - January 2019	1,449,111	3,000	-	-	-	3,000
Private placement - April 2019	5,442,222	12,000	-	-	-	12,000
HGO acquisition - purchase option	1,578,812	3,815	-	-	-	3,815
HGO acquisition - share issue	11,069,192	23,038	-	-	-	23,038
Exercise of stock options	1,140,370	2,152	(756)	-	-	1,396
Exercise of warrants	148,284	516	(199)	-	-	317
Exercise of restricted share units	154,108	272	-	-	-	272
Issue costs	-	(2,183)	-	-	-	(2,183)
Issue costs - warrants	-	(797)	797	-	-	-
Share-based payments	-	-	502	-	-	502
Comprehensive loss (earnings)	-	-	-	3,297	(16,029)	(12,732)
Balance as at June 30, 2019	123,574,070	245,006	29,053	5,160	(216,596)	62,623

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



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Notes to Financial Statements

1. NATURE OF OPERATIONS

Karora Resources Inc. (formerly Royal Nickel Corporation) ("**Karora**", "**Karora Resources**" or the "**Corporation**") is a company domiciled in Canada and was incorporated on December 13, 2006, under the Canada Business Corporations Act. The Corporation's shares are publicly traded on the Toronto Stock Exchange (TSX: KRR). The Corporation's registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

The unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and six month periods ended June 30, 2020 comprise Karora and its subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**"), subsidiaries collectively referred to as Higginsville Gold Operation ("**HGO**") and VMS Ventures Inc. ("**VMS**"). Collectively, these entities are referred to as the "**Corporation**". The Corporation accounts for its investments in Magneto Investments Limited Partnership ("**Dumont JV**") (see note 17), Orford Mining Corporation ("**Orford**") (see note 17) and Sudbury Platinum Corporation ("**SPC**") using the equity method at their respective ownership interests.

Karora is a multi-asset mineral resource company. The main assets are: 1) its 100% interest in the Beta Hunt Mine ("Beta Hunt"), a gold producing operation which is held through SLM; and 2) its 100% interest in the HGO toll processing and gold mining operation. Both are located in Western Australia.

2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND JUDGMENTS

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2019.

The Corporation's presentation currency is Canadian dollars (\$). The functional currency of SLM and HGO is the Australian dollar (AUD).

The unaudited condensed interim consolidated financial statements were authorized for publication by the Board of Directors on August 6, 2020.

(b) Basis of preparation

The accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019.

(c) Judgments

The Corporation has assessed the economic impacts of the coronavirus (“COVID-19”) pandemic on its unaudited condensed interim consolidated financial statements. As at June 30, 2020, management has determined that the Corporation’s ability to execute its short to long term plans and the economic viability of its assets, the inventory valuations and carrying value of its long-lived assets are not materially impacted. In making this judgment, management assessed various criteria including, but not limited to, existing laws, regulations, orders, disruptions and potential disruptions in our supply chain, disruptions in the markets for our products, commodity prices and foreign exchange prices and the actions that the Corporation has taken at its operations to protect the health and safety of its workforce and local community.

3. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

As at	June 30, 2020	December 31, 2019
Trade accounts receivable	\$1,799	\$1,089
Sales taxes and rebates	843	5,913
	\$2,642	\$7,002

4. INVENTORIES

Inventories consist of the following:

As at	June 30, 2020	December 31, 2019
Gold ore	\$5,382	\$6,059
Gold in process	7,137	5,790
Gold - finished goods	2	1
Nickel ore	325	-
Stores, spares and fuel	3,872	3,189
	\$16,718	\$15,039

5. PROPERTY, PLANT AND EQUIPMENT AND MINERAL PROPERTY INTERESTS

The following tables reflect the continuity of the Corporation’s property, plant and equipment and mineral property interests:

Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

	Land & Buildings	Vehicles	Equipment	Mine and Mill Facilities	Mineral Property Interests	Total
As at January 1, 2020	\$9,985	\$1,427	\$12,332	\$56,708	\$18,503	\$98,955
Additions	164	-	4,307	8,826	42,124	55,421
Transfer	-	-	-	3,345	(3,345)	-
Disposals	-	-	(39)	-	-	(39)
Foreign exchange	249	36	487	1,720	1,694	4,186
Depreciation	(405)	(92)	(1,089)	(8,550)	(556)	(10,692)
As at June 30, 2020	\$9,993	\$1,371	\$15,998	\$62,049	\$58,420	\$147,831
At June 30, 2020						
Cost	\$10,915	\$1,823	\$21,555	\$85,900	\$59,172	\$179,365
Accumulated depreciation	(922)	(452)	(5,557)	(23,851)	(752)	(31,534)
Net book value	\$9,993	\$1,371	\$15,998	\$62,049	\$58,420	\$147,831
As at December 31, 2019						
Cost	\$10,501	\$1,771	\$17,012	\$73,536	\$18,503	\$121,323
Accumulated depreciation	(516)	(344)	(4,680)	(16,828)	-	(22,368)
Net book value	\$9,985	\$1,427	\$12,332	\$56,708	\$18,503	\$98,955

The table below summarizes the balances in respect of right-of-use assets which are included in the table above:

	Land & Buildings	Equipment	Total
As at January 1, 2020	\$1,001	\$49	\$1,050
Additions	144	2,515	2,659
Foreign exchange	5	112	117
Depreciation	(199)	(154)	(353)
Revisions	17	-	17
As at June 30, 2020	\$968	\$2,522	\$3,490

In May 2020, the Corporation reached an agreement with Morgan Stanley Capital Group Inc. ("**Morgan Stanley**") to terminate the remaining net smelter royalty ("**NSR**") interests held by Morgan Stanley over a number of tenements at HGO, located in Western Australia, for a purchase price of US\$9.0 million in cash which consists of US\$2.7 million at closing and US\$6.3 million comprised of 5 installments for US\$1.26 million each starting on November 18, 2020 payable each 6 months thereafter until paid. This transaction, once completed, will eliminate all remaining NSR royalty obligations in respect of the specified tenements,

The Morgan Stanley agreement also contains a participation royalty in which the Corporation shall pay Morgan Stanley a payment for the first 2,500 troy ounces of gold sold in each quarter equal to 27.5% multiplied by the difference between the average London pm fix price for gold for that quarter and AUD 1,340. The Corporation on or after the Sunset Date (January 1, 2035 unless extended under certain conditions) may immediately terminate its obligation to pay participation royalties by paying US\$0.7 million to Morgan Stanley. The Corporation recorded the purchase of the NSR royalty and the participation royalty as the acquisition of mineral interests as of the effective date of the agreement (see notes 8 and 10).

6. INVESTMENT IN ASSOCIATES

The Corporation accounts for its investments in Magneto Investments Limited Partnership (“**Dumont JV**”), Orford Mining Corporation (“**Orford**”) and Sudbury Platinum Corporation (“**SPC**”) using the equity method at their ownership interests of 28%, 24% and 13%, respectively.

The following table reflects the continuity of the Corporation’s investments in associates:

	Dumont JV	Orford	SPC	Total
Balance as at December 31, 2019	\$17,774	\$1,013	\$909	\$19,696
Share of comprehensive earnings (loss)	57	(451)	(31)	(425)
Impairment loss	(7,131)	-	-	(7,131)
Impairment reversal	-	1,125	-	1,125
Reclassified as asset held for sale	(10,700)	-	-	(10,700)
Balance as at June 30, 2020	\$-	\$1,687	\$878	\$2,565

During the second quarter of 2020, the Corporation made the strategic decision to divest its interest in the Dumont JV and, as further described in note 17, an agreement was reached with a buyer. Consequently, as at June 30, 2020, the Corporation accounted for its investment as an asset held for sale and wrote down the value of the asset to the sale proceeds of \$10.7 million. As a result, the asset was impaired by \$7.1 million before the consideration of transaction costs totalling \$0.1 million. The transaction closed on July 27, 2020 (see note 17). In addition to the sale proceeds of \$10.7 million, the Corporation will have the right to receive a portion of future proceeds of any future Dumont JV sale or other monetization event. On a sale or other monetization event, the Corporation will be entitled to receive 15% of the net proceeds from the transaction (net of certain agreed costs and deductions) up to a maximum of an additional \$40.2 million. As at June 30, 2020, no value was assigned to this contingent consideration.

Orford was previously impaired due to a sustained decline in the share value of the Corporation’s ownership interest. Due to a change in the fair value of the Corporation’s interest, a partial recovery of the impairment of \$1.1 million was recorded during the first six months of 2020.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	June 30, 2020	December 31, 2019
Trade accounts payable	\$4,090	\$7,264
Royalty accrual	5,246	4,312
Accrued liabilities	14,454	13,744
	\$23,790	\$25,320

8. DEBT

Long-term debt comprises the following:

For the six months ended June 30, 2020	IQ Loan (i)	Bridge (ii)	Morgan Stanley Installments (iii)	Total
Balance as at January 1, 2020	\$324	\$30,573	\$-	\$30,897
Additions	-	-	7,605	7,605
Repayments	(20)	-	-	(20)
Accretion expense	-	462	43	505
Change due to foreign exchange	-	-	(165)	(165)
Balance as at June 30, 2020	304	31,035	7,483	38,822
Less current portion	90	-	3,131	3,221
Non-current portion	\$214	\$31,035	\$4,352	\$35,601

(i) IQ Loan

During the first quarter of 2020, in response to the covid-19 pandemic, the debt facility with Investissement Quebec (“IQ”) was extended by six months.

(ii) Bridge

During the second quarter of 2020, the bridge loan was amended such that the Corporation has, at its option, the right to extend the term by an additional period of six months which would result in a maturity date during December 2021. All other significant terms and conditions are not changed. Each extension is subject to payment of a term extension fee of 0.25% of the facility.

(iii) Morgan Stanley Installments

As part of the Morgan Stanley NSR royalty buyback, the Corporation agreed to pay USD\$6.3 million comprised of 5 installments of US\$1.26 million each starting on November 18, 2020 and payable each six months thereafter until paid. The Corporation calculated the net present value of these payments using a 10% discount rate. See the Property, Plant and Equipment and Mineral Property Interests note.

9. LEASE OBLIGATIONS

The following table reflects the continuity of lease obligations for the six months ended June 30, 2020:

For the six months ended June 30,	2020
Opening balance	\$1,222
Additions	2,620
Accretion	78
Cash payments	(767)
Revisions	17
Foreign exchange	133
Closing balance	3,303
Less current portion	1,369
Non-current portion	\$1,934

10. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

As at June 30, 2020, the Corporation's gold and forward derivative financial instruments had been classified as Level 2 financial instruments according to the fair value hierarchy. The Morgan Stanley participation royalty, described below, is classified as Level 3.

The Corporation did not apply hedge accounting on its gold forward sales. Therefore, changes in fair value for these derivatives were recorded in the consolidated statement of comprehensive earnings (loss) on a mark to market basis. All gold forward sales outstanding as at December 31, 2019 were completed. There were no forward sales contracts outstanding as at June 30, 2020.

During the second quarter of 2020, the Corporation recognized a derivative for the Morgan Stanley participation royalty (note 5). The participation royalty obligation was estimated using a valuation model. The key inputs used in the valuation include:

- the gold forward price curve based on the COMEX futures curve, extrapolated where necessary;
- USD/AUD foreign exchange rates based on forward curves;
- Discount rates incorporating the Corporation's estimated credit spread of 9.10% on recognition and 7.66% as at June 30, 2020;
- a current risk-free rate based on the Australian dollar swaps curve; and
- the Corporation's estimated gold ounce delivery into the participation royalty.

For the six months ended June 30, 2020. The table below summarizes the movements in derivative financial liabilities:

For the six months ended June 30, 2020	Gold forward and option contracts	Morgan Stanley Participation Royalty	Total
Opening liability	\$2,817	\$-	\$2,817
Additions	-	25,064	25,064
Settlements	(8,922)	(181)	(9,103)
Net change in fair value	6,092	831	6,923
Change due to foreign exchange	13	768	781
Balance as at June 30, 2020	-	26,482	26,482
Less current portion	-	3,197	3,197
Non-current portion	\$-	\$23,285	\$23,285

11. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

The following table reflects the continuity of asset, rehabilitation and environmental obligations for the six months ended June 30, 2020:



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

For the six months ended June 30,	2020
Opening balance	\$21,119
Accretion expense	93
Addition	99
Change in estimate	2,017
Change in foreign exchange translation	719
Closing balance	\$24,047

As at June 30, 2020, the discount rate in respect of the discounting for rehabilitation programs in Australia was 0.9% (December 31, 2019 – 1.4%) and the inflation rate was 2.2% (December 31, 2019 – 1.8%).

12. SHARE CAPITAL

The Corporation is authorized to issue an unlimited amount of common shares.

Effective July 31, 2020, the Corporation completed a share consolidation of its common shares on the basis of one (1) post-consolidation share for every four and a half (4.5) pre-consolidation common shares. As a result of the share consolidation, the 648,700,031 common shares issued and outstanding as at the date of the consolidation were consolidated into 144,155,562 common shares. All references to the number of shares, options, warrants and per share amounts presented have been retroactively restated to reflect the Consolidation (post-consolidation basis). See subsequent event in (Note 17).

During the six months ended June 30, 2020, 18,782 shares were issued to consultants with a value of \$0.04 million which were measured on the basis of the Corporation's share price on the date of issue.

On April 15, 2020, Karora announced that it had received approval of the Toronto Stock Exchange ("TSX") for a normal course issuer bid to purchase up to no more that approximately 6,758,933 common shares (30,415,198 prior to consideration of the above noted share consolidation) representing 5% of its issued and outstanding common shares at the prevailing market price at the time of purchase. The bid will expire no later than April 16, 2021. Purchases of common shares will be made through the facilities of the TSX in accordance with its rules. Purchases may also be made through alternative Canadian trading systems. The average daily trading volume of the common shares for the previous six calendar months Average Daily Trading Volume ("ADTV") was 340,710 common shares (1,533,196 prior to consideration of the above noted share consolidation). Subject to the TSX's block purchase exception, on any trading day, purchases under the bid will not exceed approximately 85,178 common shares (383,299 prior to consideration of the above noted share consolidation) (25% of the ADTV). The price that the Corporation will pay for any common shares purchased under the bid will be the prevailing market price at the time of purchase.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

13. FINANCE EXPENSE, NET

For the periods ended June 30,	Three months ended,		Six months ended,	
	2020	2019	2020	2019
Interest expense	\$536	\$271	\$1,337	\$276
Accretion on debt and finance leases	261	157	514	366
Interest income	(28)	(8)	(101)	(15)
	\$769	\$420	\$1,750	\$627

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. Derivative financial instruments (note 10) are recorded at fair value at the end of each reporting period. With respect to debt balances (note 8), carrying values and fair values are as follows:

As at	June 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
IQ Loan (level 2)	\$304	\$304	\$324	\$324
Bridge loan (level 2)	\$31,035	\$32,000	\$30,573	\$32,000
Morgan Stanley (level 3)	\$7,483	\$8,359	\$-	\$-

15. SUPPLEMENTAL CASH FLOW INFORMATION

Other non-cash adjustments

For the periods ended June 30,	Three months ended,		Six months ended,	
	2020	2019	2020	2019
Share of loss in associates	\$8	\$197	\$425	\$504
Accretion - asset retirement obligations	61	29	93	33
Accretion - long-term debt	278	107	505	305
Loss (gain) on sale of property, plant and equipment and mineral property interest	-	-	61	(270)
Unrealized loss on revaluation of marketable securities	(22)	-	12	-
Other	-	281	38	310
	\$325	\$614	\$1,134	\$882

Other supplemental information

For the periods ended June 30,	Three months ended,		Six months ended,	
	2020	2019	2020	2019
Interest received	\$32	\$8	\$105	\$15
Interest paid	\$538	\$254	\$1,339	\$276
Cash taxes paid	\$478	\$-	\$478	\$-
Increase (decrease) of property, plant and equipment and mineral property interests in accounts payable and accrued liabilities	\$340	\$(785)	\$(226)	\$(339)



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

16. SEGMENTED INFORMATION

The Corporation has production and exploration and evaluation activities in Australia.

For the three months ended June 30, 2020

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$39,200	\$23,335	\$(6,435)	\$-	\$56,100
Production and processing costs	18,604	13,606	(6,435)	-	25,775
Royalty expense	4,010	1,104	-	-	5,114
General and administrative: share-based payments	-	-	-	2,207	2,207
General and administrative: other	1,164	1,160	-	2,317	4,641
Depreciation and amortization	1,879	3,593	-	-	5,472
Operating earnings (loss)	\$13,543	\$3,872	-	\$(4,524)	\$12,891

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

For the six months ended June 30, 2020

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (1)	All Other	Total
Revenues	\$77,182	\$45,883	\$(12,683)	\$-	\$110,382
Production and processing costs	36,832	28,912	(12,683)	-	53,061
Royalty expense	7,234	2,217	-	-	9,451
General and administrative: share-based payments	-	-	-	2,046	2,046
General and administrative: other	1,762	1,483	-	4,559	7,804
Depreciation and amortization	3,708	5,818	-	-	9,526
Operating earnings (loss)	\$27,646	\$7,453	-	\$(6,605)	\$28,494

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

As at June 30, 2020

Property, plant and equipment and mineral property interests	\$39,735	\$107,222	\$-	\$874	\$147,831
Total assets	68,127	133,796	-	29,776	231,699

As at December 31, 2019

Property, plant and equipment and mineral property interests	\$33,956	\$64,854	\$-	\$145	\$98,955
Total assets	58,930	80,946	-	37,901	177,777



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six month periods ended June 30, 2020 and 2019
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

For the three months ended June 30, 2019 ¹

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (2)	All Other	Total
Revenues	\$15,791	\$2,582	\$(1,124)	\$-	\$17,249
Production and processing costs	10,974	4,194	(1,124)	-	14,044
Royalty expense	1,439	-	-	-	1,439
General and administrative: share-based payments	-	-	-	1,634	1,634
General and administrative: other	292	49	-	4,203	4,544
Depreciation and amortization	880	517	-	-	1,397
Operating earnings (loss)	\$2,206	\$(2,178)	-	\$(5,837)	\$(5,809)

1) Segment information has been restated to aggregate the Beta Hunt Gold Mine and Beta Hunt Nickel Mine segments.

2) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

For the six months ended June 30, 2019 ¹

	Beta Hunt Gold/Nickel Mine Australia	HGO Gold Mine/Mill Australia	Intersegment Elimination (2)	All Other	Total
Revenues	\$26,627	\$2,582	\$(1,124)	\$27	\$28,112
Production and processing costs	17,472	4,194	(1,124)	-	20,542
Royalty expense	2,548	-	-	-	2,548
General and administrative: share-based payments	-	-	-	2,467	2,467
General and administrative: other	635	49	-	5,746	6,430
Depreciation and amortization	1,432	517	-	-	1,949
Operating earnings (loss)	\$4,540	\$(2,178)	-	\$(8,186)	\$(5,824)

1) Segment information has been restated to aggregate the Beta Hunt Gold Mine and Beta Hunt Nickel Mine segments.

2) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

17. SUBSEQUENT EVENTS

- A. On July 17, 2020, the Corporation closed a subscription agreement with Eric Sprott and another institutional investor. The Corporation issued a total of 8.1 million common shares (36.5 million prior to consideration of the share consolidation) at \$2.28 per share (\$0.506 per share prior to consideration of the share consolidation) for total proceeds of \$18.5 million. The common shares issued are subject to a four month hold period in accordance with applicable Canadian securities laws



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2020 and 2019
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- B. On July 22, 2020, the Corporation reached an agreement to sell its 28% interest in the Dumont JV to two private funds advised by Waterton Global Resource Management, Inc. ("**Waterton**"), subject to the terms and conditions of the sale agreement. The transaction closed on July 27, 2020. At closing the Corporation received \$10.7 million, comprised of \$7.4 million from Waterton for its interest and a \$3.3 million refund of the Corporation's share of the cash held within the Dumont JV. The Corporation will have the right to receive a portion of future proceeds of any future Dumont JV sale or other monetization event. On a sale or other monetization event, the Corporation will be entitled to receive 15% of the net proceeds from the transaction (net of certain agreed costs and deductions) up to a maximum of an additional \$40.2 million. The total consideration is up to \$47.6 from Waterton and \$3.3 million refunded from the Dumont JV.
- C. On July 27, 2020, the Corporation announced it has reached an agreement to sell 11.3 million common shares ("**Shares**") of Orford at a price of \$0.09 per share for aggregate consideration of \$1.0 million. The Corporation currently owns or controls 22.5 million common shares and warrants to purchase up to an additional 1.1 million common shares of Orford representing an approximate 23.6% interest in Orford on an undiluted basis and 24.5% on a partially diluted basis. Immediately following the completion of this sale, the Corporation will own or control 11.3 million common shares and warrants to purchase up to 1.1 million common shares, representing an approximate 11.8% interest in Orford on an undiluted basis and 12.8% on a partially diluted basis.
- D. Effective July 31, 2020, the Corporation completed a share consolidation of its common shares on the basis of one (1) post-consolidation common share for every four and a half (4.5) pre-consolidation common shares. Prior to the share consolidation, approximately 648,700,031 common shares were issued and outstanding. Following the effective date of the Consolidation, approximately 144,155,562 common shares were outstanding. No fractional common shares were issued as a result of the share consolidation. As a result of the share consolidation, the Corporation's outstanding warrants were proportionately adjusted such that four and a half (4.5) warrants are now exercisable for one post-Consolidation Common Share at an exercise price of \$2.25 per Common Share. Proportionate adjustments were also made to the Corporation's other convertible securities.
- E. On August 7, 2020, the Corporation has closed the acquisition of the Spargos Reward Gold Project from Corona Resources Limited.