Sun Metals Corp.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Notice of no Auditor Review of
Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Sun Metals Corp. (the "Company") as at June 30, 2020, and for the three and six months ended June 30, 2020 and June 30, 2019, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

Sun Metals Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited- prepared by management)
(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at June 30, 2020	As at December 31, 2019
ASSETS		
Current Assets		
Cash	$ 3,749,058	$ 4,797,225
Amounts receivable *(Note 5)*	1,062,717	1,529,476
Prepaid expenses *(Note 6)*	293,797	177,222
	5,105,572	6,503,923
Non-current Assets		
Exploration and evaluation asset acquisition costs *(Note 7)*	21,568,534	21,566,632
Deposits *(Notes 9 & 12)*	214,636	214,636
Property, plant and equipment *(Note 8)*	24,741	21,092
Total Assets	$ 26,913,483	$ 28,306,283
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 534,956	$ 1,687,028
Flow-through premium liability *(Note 14b)*	721,406	778,900
	1,256,362	2,465,928
Non-current liabilities		
Provision for closure and reclamation *(Note 10)*	134,535	131,937
Total Liabilities	1,390,897	2,597,865
Equity		
Share capital *(Note 11)*	35,907,938	34,747,825
Equity Reserves	7,257,596	6,754,950
Accumulated deficit	(17,642,948)	(15,794,357)
Total Equity	25,522,586	25,708,418
Total Liabilities and Equity	$ 26,913,483	$ 28,306,283

Commitments & Contingencies *(Notes 14)*

Approved by the Audit Committee of the Board of Directors on August 18, 2020:

"Sean Tetzlaff", Audit Committee Chair   *"Glen Garratt"*, Director

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

Sun Metals Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited- prepared by management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Expenses				
Exploration and evaluation expenditures *(Note 7c)*	$ 462,577	$ 1,663,777	$ 723,321	$ 1,931,980
Salaries and director fees	241,232	192,330	443,358	359,750
Share-based compensation *(Note 11d)*	203,519	141,805	287,451	308,755
Office and rent	77,497	71,065	144,371	125,408
Investor relations	65,054	235,962	202,371	328,764
Professional fees	48,820	(75,059)	101,366	129,557
Listing and filing fees	18,264	36,337	23,830	45,619
Depreciation	1,236	1,236	2,472	2,264
Total Expenses	1,118,199	2,267,453	1,928,540	3,232,097
Other Income and Expenses				
Finance income	6,236	26,299	23,150	52,193
Accretion expense *(Note 10)*	(141)	(508)	(695)	(1,116)
Loss before Income Taxes	(1,112,014)	(2,241,662)	(1,906,085)	(3,181,020)
Income tax recovery *(Note 14b)*	37,968	785,515	57,494	785,515
Net Loss and Comprehensive Loss for the Period	$ (1,074,046)	$ (1,456,147)	$ (1,848,591)	$ (2,395,505)
Weighted Average Number of Common Shares Outstanding (Basic and Diluted)	155,422,094	119,319,758	151,713,303	105,581,569
Basic and Diluted Loss per Common Share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

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

Sun Metals Corp.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited- prepared by management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Deficit	Total
Balance – December 31, 2018	91,068,401	$ 10,391,667	$ 3,449,466	$ (8,846,026)	$ 4,995,107
Acquisition of Lorraine Copper Corp. *(Note 4)*	27,515,380	16,234,074	4,452,156	-	20,686,230
Shares cancelled subsequent to acquisition *(Note 4)*	(1,500,000)	(225,000)	-	-	(225,000)
Exercised warrants *(Note 11b(iii))*	6,022,998	1,825,247	-	-	1,825,247
Fair value of exercised warrants transferred to share capital	-	987,169	(987,169)		-
Exercised stock options *(Note 11b(iv))*	596,333	98,863	-	-	98,863
Fair value of exercised stock options transferred to share capital	-	242,868	(242,868)	-	-
Share-based compensation *(Note 11d)*	-	-	308,755	-	308,755
Net loss for the period	-	-	-	(2,395,505)	(2,395,505)
Balance – June 30, 2019	**123,703,112**	**$ 29,554,888**	**$ 6,980,340**	**$ (11,241,531)**	**$ 25,293,697**
Flow-through common share issuance *(Note 11b(v))*	14,400,000	3,600,000	-	-	3,600,000
Premium flow-through common share issuance *(Note 11b(v))*	8,100,000	2,551,500	-	-	2,551,500
Flow-through premium liabilities *(Note 11b(v))*	-	(1,371,700)	-	-	(1,371,700)
Share issue costs – cash *(Note 11b(v))*	-	(548,601)	-	-	(548,601)
Exercised warrants *(Note 11b(iii))*	1,639,400	444,119	-	-	444,119
Fair value of exercised warrants transferred to share capital	-	421,109	(421,109)	-	-
Exercised stock options *(Note 11b(iv))*	162,000	31,860	-	-	31,860
Fair value of exercised stock options transferred to share capital	-	64,650	(64,650)	-	-
Share-based compensation *(Note 11d)*	-	-	260,369	-	260,369
Net loss for the year	-	-	-	(4,552,826)	(4,552,826)
Balance – December 31, 2019	148,004,512	$ 34,747,825	$ 6,754,950	$ (15,794,357)	$ 25,708,418
Common share issuance *(Note 11b(i))*	18,750,000	1,500,000	-	-	1,500,000
Share issue costs – cash *(Note 11b(i))*	-	(124,692)	-	-	(124,692)
Fair value of warrants issued with common shares *(Note 11c)*	-	(234,706)	234,706	-	-
Share issue costs allocated to warrants *(Note 11c)*	-	19,511	(19,511)	-	-
Share-based compensation *(Note 11d)*	-	-	287,451	-	287,451
Net loss for the period	-	-	-	(1,848,591)	(1,848,591)
Balance – June 30, 2020	166,754,512	$ 35,907,938	$ 7,257,596	$ (17,642,948)	$ 25,522,586

- The accompanying notes are an integral part to these condensed interim consolidated financial statements -

Sun Metals Corp.

Condensed Interim Consolidated Statement of Cash Flows

(Unaudited- prepared by management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Operating Activities		
Net loss for the period	$ (1,848,591)	$ (2,395,505)
Items not affecting cash:		
Share-based compensation	287,451	308,755
Depreciation	4,834	6,488
Accretion expense (*Note 10)*	695	1,116
Income tax recovery	(57,494)	(785,515)
Finance income	(23,150)	(52,193)
Changes in:		
Accounts payable and accrued liabilities	(1,152,071)	588,640
Amounts receivable	466,759	(20,438)
Prepaid expenses	(116,575)	(378,590)
Net cash used in operating activities	(2,438,142)	(2,727,242)
Investing Activities		
Cash acquired from Lorraine Copper Corp. (*Note 4)*	-	271,455
Acquisition of Lorraine Copper Corp. (*Note 4)*	-	(303,995)
Additions to property, plant and equipment (*Note 8)*	(8,483)	(7,516)
Interest received	23,150	52,193
Net cash provided by investing activities	14,667	12,137
Financing Activities		
Proceeds from share issuances *(Note 11b(i))*	1,500,000	1,924,110
Share issuance costs *(Note 11b(i))*	(124,692)	-
Net cash provided by financing activities	1,375,308	1,924,110
Net Decrease in Cash	(1,048,167)	(790,995)
Cash - Beginning of the Period	4,797,225	6,888,625
Cash - End of the Period	$ 3,749,058	$ 6,097,630

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

1. GENERAL INFORMATION

North Bluff Capital Corp. ("North Bluff") was incorporated under the Business Corporations Act (British Columbia) on October 15, 2008 and changed its name to Sun Metals Corp. ("Sun Metals" or the "Company") on May 2, 2018. The Company is listed on the TSX Venture Exchange ("Exchange") in Canada under the symbol "SUNM". Sun Metals is an exploration stage enterprise with its principal focus on the exploration of the Stardust Project located in British Columbia, Canada.

The Company's head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's records office and registered office address is Suite 2600, 1066 West Hastings St., Vancouver, British Columbia, Canada, V6E 3X1.

On February 4, 2019 the Company and Lorraine Copper Corp. ("Lorraine") announced they had entered into an arrangement agreement providing for the indirect merger of the companies (the "Arrangement Agreement"). Pursuant to the Arrangement Agreement, on April 12, 2019 the Company acquired, through its subsidiary Tsayta, all of the issued and outstanding common shares of Lorraine by way of a statutory plan of arrangement under the *Business Corporations Act* (British Columbia) (the "Arrangement") (Note 4).

Following completion of the Arrangement on April 12, 2019, the Company owns 100% of the Stardust Project royalty-free. Following completion of the Arrangement, the Company also owns the Lorraine copper-gold project (joint-ventured with Teck Resources Limited ('Teck")) (the "Lorraine Project"), and the OK copper-molybdenum project (the "OK Project") (Note 7a).

2. BASIS OF PREPARATION

Going concern

These 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 for the foreseeable future. As at June 30, 2020, the Company has no source of positive operating cash flows, and has not yet achieved profitable operations. As at June 30, 2020, the Company had working capital of $4,570,617 (excluding the flow-through premium liability of $721,406) of which $2,962,818 is committed to be spent on qualifying exploration expenditures to satisfy flow-through share requirements, leaving $1,607,799 to finance additional exploration expenditures and general and administrative expenditures through the next twelve months. The Company's ability to continue as a going concern is dependent upon successfully obtaining additional financing, entering into a merger or other business combination transaction involving a third party, the successful development or sale of the Company's mineral property interests or a combination thereof.

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization, which has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. The actual and threatened spread of COVID-19 could adversely impact the Company's ability to raise capital, collect tax credit receivables, and its operations in future periods. While the Company believes that it will be able to raise additional funds and/or reduce expenditures to continue as a going concern there is no assurance that the Company will be successful in obtaining additional funding at an acceptable cost as and when needed or at all. Failure to obtain additional funding on a timely basis may cause the Company to postpone exploration and/or evaluation plans or substantially reduce its operations. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. 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. Such adjustments could be material.

2. BASIS OF PREPARATION (continued)

Statement of Compliance

The Company prepares their annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements.

The Company considered the impact of the COVID-19 pandemic on the significant judgments and estimates made in these condensed interim consolidated financial statements and determined that the effects of COVID-19 did not have a material impact on the estimates and judgments applied for the three and six months ended June 30, 2020.

4. ACQUISITION OF LORRAINE COPPER CORP.

Pursuant to the Arrangement Agreement (Note 1), on April 12, 2019 the Company acquired, through its subsidiary Tsayta, all of the issued and outstanding common shares of Lorraine by way of a statutory plan of arrangement under the *Business Corporations Act* (British Columbia) (the "Arrangement").

Pursuant to the terms of the Arrangement, shareholders of Lorraine received 0.54 (the "Exchange Ratio") of a common share of Sun Metals for every Lorraine common share held, all outstanding stock options of Lorraine were exchanged for stock options to purchase Sun Metals common shares on the basis of the Exchange Ratio and all unexercised Lorraine share purchase warrants were exchanged for warrants to purchase Sun Metals common shares on the basis of the Exchange Ratio. Upon closing of the Arrangement, the Company issued 27,515,380 common shares, 1,755,000 stock options with a weighted average exercise price of $0.16, and 10,224,408 share purchase warrants with a weighted average exercise price of $0.27.

The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired as a result of the Arrangement:

(Expressed in Canadian Dollars Unless Noted Otherwise)

4. ACQUISITION OF LORRAINE COPPER CORP. (continued)

Purchase Consideration	
27,515,380 common shares	$ 16,234,074
10,224,408 share purchase warrants	3,619,120
1,755,000 stock options	833,036
Transaction Costs	303,995
	$ 20,990,225

Net Assets Acquired	
Cash	$ 271,455
Working Capital	(611,117)
Reclamation Deposits	64,000
Property, Plant & Equipment	2,750
Exploration & Evaluation Assets	21,263,137
	$ 20,990,225

The Company has allocated the fair value of the exploration and evaluation assets acquired (Note 7a) to the Stardust Project. Subsequent to the close of the Arrangement, the Company entered into a capital contribution agreement with Tsayta, whereby Tsayta transferred the 1,500,000 common shares of the Company acquired by Tsayta upon amalgamation with Lorraine to Sun Metals. The common shares were cancelled on June 19, 2019, with the historic cost of the cancelled common shares, which were originally issued in connection with the acquisition of the Stardust Project under an option agreement, being recorded as a reduction to share capital and exploration and evaluation asset acquisition costs.

5. AMOUNTS RECEIVABLE

Amounts receivable is comprised of the following:

	June 30, 2020	December 31, 2019
Government assistance receivable	$ 1,014,632	$ 1,092,555
Refundable goods and services tax	38,718	382,036
Other receivables	9,367	54,885
Total	**$ 1,062,717**	**$ 1,529,476**

6. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	June 30, 2020	December 31, 2019
Advances for Stardust work programs	$ 195,000	$ 130,463
Investor relations and communication	36,916	23,463
Insurance and benefits premiums	31,621	17,717
Software licenses	30,260	5,579
Total	**$ 293,797**	**$ 177,222**

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Exploration Projects

i. Stardust Project, British Columbia, Canada

On September 7, 2017, the Company, through its wholly-owned subsidiary Tsayta, entered into an option agreement (the "Option Agreement") with Lorraine, as amended May 2, 2018, December 17, 2018, and March 26, 2019, pursuant to which the Company had the sole and exclusive option to acquire a 100% interest in the Stardust Project.

Following completion of the Arrangement on April 12, 2019 (Note 1), the Company now owns 100% of the Stardust Project, and any obligations of the Company under the Option Agreement have terminated.

ii. Other projects

Lorraine Project, British Columbia, Canada

The Lorraine project comprises two contiguous properties, the Lorraine-Jajay and the Jan-Tam-Misty properties. Following completion of the Arrangement on April 12, 2019 (Note 1), the Company owns 49% of the Lorraine-Jajay property, and Teck owns 51%, and the Company owns 44.1% of the adjacent Jan-Tam-Misty property, Teck owns 45.9%, and Commander Resources holds a 10% carried interest. The Jan-Tam-Misty property is subject to a 3% NSR royalty, which can be reduced to 1% NSR royalty, and is subject to a capped advanced royalty payment of $500,000, of which $300,000 has been paid at June 30, 2020.

OK Project, British Columbia, Canada

Following completion of the Arrangement on April 12, 2019 (Note 1), the Company owns 100% of the OK Project, subject to a 2.5% net smelter royalty.

b. Acquisition Costs

Details of the Company's acquisition costs related to the Stardust Project are as follows:

Balance – December 31, 2018	$ 530,313
Change in estimate of provision for closure and reclamation *(Note 12)*	(1,818)
Acquisition of Lorraine (*Note 5)*	21,263,137
Cancellation of shares issued to Lorraine *(Note 5)*	(225,000)
Balance – December 31, 2019	**$ 21,566,632**
Change in estimate of provision for closure and reclamation *(Note 12)*	1,902
Balance – June 30, 2020	**$ 21,568,534**

For the three and six months ended June 30, 2020 and the year ended December 31, 2019, the Company carefully considered current facts and circumstances, a process which requires significant judgment, and concluded no indicators of impairment exist which indicate the carrying value may exceed the recoverable amount of the Company's exploration and evaluation acquisition costs.

c. Exploration and Evaluation Expenditures

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the statement of loss and comprehensive loss, are as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

For the six months ended June 30, 2020	Stardust Project	Lorraine Project	Total
Field expenses	$ 232,697	$ -	$ 232,697
Salaries	232,402	-	232,402
Drilling and Assaying	168,246	-	168,246
Contractors / consultants	88,582	-	88,582
Administration and other	7,401	-	7,401
Government assistance[1]	(6,007)	-	(6,007)
Expenditures for the six months ended June 30, 2020	**723,321**	**-**	**723,321**
Cumulative balance – December 31, 2019	**11,320,108**	**126,142**	**11,446,250**
Cumulative balance – June 30, 2020	**$ 12,043,429**	**$ 126,142**	**$ 12,169,571**

For the year ended December 31, 2019	Stardust Project	Lorraine Project	Total
Drilling and Assaying	$ 3,851,734	$ -	$ 3,851,734
Field Expenses and travel	1,907,992	-	1,907,992
Contractors / consultants	1,307,291	92,402	1,399,693
Salaries	745,616	-	745,616
Utilities	367,215	-	367,215
Equipment Rental	248,182	-	248,182
Administration, environmental and other	83,428	33,740	117,168
Government assistance[1]	(1,136,856)	-	(1,136,856)
Expenditures for the year ended December 31, 2019	**7,374,602**	**126,142**	**7,500,744**
Cumulative balance – December 31, 2018	3,945,506	-	3,945,506
Cumulative balance – December 31, 2019	**$ 11,320,108**	**$ 126,142**	**$ 11,446,250**

[1] During the six months ended June 30, 2020 and the year ended December 31, 2019 the Company applied for British Columbia Mining Exploration Tax Credits ("BC METC") with respect to qualifying exploration expenditures on its Stardust Project. During the six months ended June 30, 2020 the Company received a refund of $83,930 and as at June 30, 2020, the Company has accrued $1,014,632 in BC METC claims for the periods from May 2 to December 31, 2018 and April 12 to December 31, 2019, which remain outstanding but which now can be reasonably estimated and collection is reasonably assured.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. PROPERTY, PLANT AND EQUIPMENT

Six months ended June 30, 2020:

	Computer Equipment	Computer Software	Office Furniture & Equipment	Exploration Equipment	Total
Cost					
December 31, 2019	$ 17,777	$ 6,383	$ 12,110	$ 2,941	$ 39,211
Additions	-	-	-	8,483	8,483
June 30, 2020	17,777	6,383	12,110	11,424	47,694
Accumulated Depreciation					
December 31, 2019	(7,300)	(6,383)	(3,595)	(841)	(18,119)
Depreciation	(3,330)	-	(606)	(898)	(4,834)
June 30, 2020	(10,630)	(6,383)	(4,201)	(1,739)	(22,953)
Carrying Value					
December 31, 2019	**$ 7,624**	**$ 3,264**	**$ 4,512**	**$ 1,842**	**$ 17,242**
June 30, 2020	**$ 7,147**	**$ -**	**$ 7,909**	**$ 9,685**	**$ 24,741**

Year ended December 31, 2019:

	Computer Equipment	Computer Software	Office Furniture & Equipment	Exploration Equipment	Total
Cost					
December 31, 2018	$ 11,044	$ 6,383	$ 4,931	$ 2,105	$ 24,463
Additions	3,981	-	7,179	836	11,996
Acquisition of Lorraine	2,752	-	-	-	2,752
December 31, 2019	17,777	6,383	12,110	2,941	39,211
Accumulated Depreciation					
December 31, 2018	(3,420)	(3,119)	(419)	(263)	(7,221)
Depreciation	(3,880)	(3,264)	(3,176)	(578)	(10,898)
December 31, 2019	(7,300)	(6,383)	(3,595)	(841)	(18,119)
Carrying Value					
December 31, 2018	**$ 7,624**	**$ 3,264**	**$ 4,512**	**$ 1,842**	**$ 17,242**
December 31, 2019	**$ 10,477**	**$ -**	**$ 8,515**	**$ 2,100**	**$ 21,092**

9. RECLAMATION DEPOSITS

As of June 30, 2020, the Company has deposits consisting of a letter of credit and term deposits held to provide financial assurance in the amount of $195,136 (December 31, 2019 - $195,136). The financial assurance provides for a partial indemnification of the closure and reclamation costs with respect to the Company's projects. The deposits have no maturity date and are considered long-term, regardless of their term, as the funds will remain on deposit until the obligation is extinguished.

10. PROVISION FOR CLOSURE AND RECLAMATION

During the year December 31, 2018, the Company recognized a liability relating to its Stardust Project. The Company has calculated the present value of the closure and reclamation provision at June 30, 2020 using a pre-tax discount rate of 0.28% and inflation rate of 2.00% (December 31, 2019 – 1.69% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the

(Expressed in Canadian Dollars Unless Noted Otherwise)

10. PROVISION FOR CLOSURE AND RECLAMATION (continued)

provision for closure and reclamation at June 30, 2020 is $135,101 (December 31, 2019 – $136,434). The Company has estimated that payments will be made in 2021.

Balance, December 31, 2018	$	131,678
New estimated cash flows and changes in estimates		(1,818)
Accretion on discounted obligation		2,077
Balance, December 31, 2019		131,937
New estimated cash flows and changes in estimates		1,902
Accretion on discounted obligation		695
Balance, June 30, 2020	**$**	**134,534**

11. EQUITY

a. Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

b. Issued Share Capital

During the three and six months ended June 30, 2020, the Company issued common shares as follows:

(i) On May 25, 2020 the Company closed a non-brokered private placement of 18,750,000 units at a price of $0.08 per unit (a "Unit") for gross proceeds of $1,500,000 (the "Private Placement"). Each Unit consists of one common share of the Company (each, a "Common Share") and one-half of one non-transferable Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one Common Share of the Company until May 25, 2021 at a price of $0.12, and from May 26, 2021 to May 25, 2022 at a price of $0.15. In connection with the Private Placement the Company paid commissions, legal fees and filing fees totaling $124,692.

During the year ended December 31, 2019, the Company issued common shares as follows:

(ii) On April 12, 2019, the Company issued 27,515,380 common shares as consideration for the acquisition of all issued and outstanding common shares of Lorraine (Note 4).

(iii) During the year ended December 31, 2019, 7,662,398 common share purchase warrants with a weighted average exercise price of $0.30 were exercised for total proceeds of $2,269,366. In connection with these warrant exercises, the related fair value amount of $1,408,278 was transferred from equity reserves to share capital.

(iv) During the year ended December 31, 2019, 758,333 stock options with a weighted average exercise price of $0.17 were exercised for total proceeds of $130,723. The weighted average share price on the date the stock options were exercised during the period was $0.46. In connection with these stock option exercises, the related fair value amount of $307,518 was transferred from equity reserves to share capital.

(v) On October 23, 2019 and October 30, 2019 the Company completed the first and second tranches of a bought-deal private placement, pursuant to which the Company issued 8,100,000 common shares of the Company on a flow-through basis (the "Premium FT Shares") at a price of $0.315 per Premium FT Share issued, and 14,400,000 common shares of the Company on

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. EQUITY (continued)

a flow-through basis (the "FT Shares") at a price of C$0.25 per FT Share for aggregate gross proceeds of $6,151,500 (the "2019 FT Offering"). Flow-through premiums totaling $1,371,700, being the difference between the Premium FT Shares and FT Shares subscription price and the market price of the Company's common shares on the date of issue, related to the sale of the associated tax benefits of the qualifying resource expenditures (Note 16b) have been recorded as a flow-through premium liability in the consolidated statement of financial position. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling $548,601.

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the six months ended June 30, 2020 and year ended December 31, 2019 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance – December 31, 2018	27,461,400	$ 0.35
Issued (Note 4)	10,224,408	$ 0.27
Exercised	(7,662,398)	$ 0.30
Expired	(4,221,810)	$ 0.34
Outstanding Balance – December 31, 2019	25,801,600	$ 0.35
Expired	(3,810,200)	$ 0.37
Issued (Note 11b(i))	9,375,000	$ 0.12
Outstanding Balance – June 30, 2020	**31,266,400**	**$ 0.28**

At March 31, 2020, the following share purchase warrants are outstanding:

Expiry Date	Exercise Price	Number of Warrants
May 25, 2021	$0.09	378,000
May 2, 2023	$0.35	21,613,400
May 25, 2022 (Note 11b(i))	$0.12	9,375,000
Weighted Average Exercise Price	**$0.28**	**31,366,400**

The 9,375,000 share purchase warrants issued pursuant to the Private Placement had a fair value of $234,706, which has been included in equity reserves in the Company's consolidated statement of financial position at June 30, 2020.

The 10,224,408 share purchase warrants issued pursuant to the terms of the Arrangement (Note 4) had a fair value of $3,619,120, which has been included in equity reserves in the Company's consolidated statement of financial position at December 31, 2019.

The fair value of issued share purchase warrants are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for share purchase warrants granted during the six months ended June 30, 2020 and the year ended December 31, 2019 were as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. EQUITY (continued)

Issue Date	Expected Life of Warrants in Years	Exercise Price	Risk-free Interest Rate	Volatility[1]	Weighted Average Black-Scholes Fair Value
May 25, 2020[2]	1.0	$0.13	0.30%	97.38%	$0.03
April 12, 2019	2.1	$0.09	1.63%	99.35%	$0.51
April 12, 2019	0.8	$0.37	1.67%	89.66%	$0.29
April 12, 2019	0.6	$0.28	1.67%	89.99%	$0.33
April 12, 2019	0.5	$0.19	1.67%	90.95%	$0.41
April 12, 2019	0.4	$0.22	1.67%	94.19%	$0.38

[1] Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the warrant where sufficient history of the Company was not available, calculated over the same period as the expected life of the warrant. Where sufficient history was available, the volatility was determined based upon the historic volatility of the Company's share price over the same period of time as the expected life of the warrant.
[2] Each Warrant entitles the holder to acquire one Common Share of the Company until May 25, 2021 at a price of $0.12, and from May 26, 2021 to May 25, 2022 at a price of $0.15. The Company also completed a Black-Scholes calculation for an expected life of 2 years and exercise price of $0.15, and assigned a probability of 50% to each outcome to calculate the fair value of $234,706.

d. Stock Options

The Company has established a share purchase option plan (the "Stock Option Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative company employees. Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company's board of directors and in accordance with the policies of the Exchange. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the Exchange. Subject to the policies of the Exchange, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. The Company applies the fair value based method of accounting for options.

At June 30, 2020, the following stock options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
May 2, 2023	$0.25	4,466,667	2.84	3,450,000
December 24, 2023	$0.28	4,100,000	3.48	2,433,333
March 26, 2024	$0.46	75,000	3.74	50,000
May 27, 2024	$0.55	75,000	3.91	50,000
June 11, 2025	$0.18	4,030,000	4.95	1,760,000
May 3, 2026	$0.09	270,000	5.84	270,000
November 3, 2026	$0.11	216,000	6.35	216,000
May 16, 2027	$0.13	270,000	6.88	270,000
	$0.23	**13,502,667**	**3.87**	**8,499,333**

The stock options exercisable at June 30, 2020 have a weighted average exercise price of $0.23.

Details of stock options granted, exercised, expired and forfeited as at and during the six months ended June 30, 2020 and year ended December 31, 2019 are as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. EQUITY (continued)

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2018	8,650,000	$0.26
Granted	1,905,000	$0.18
Exercised	(758,333)	$0.17
Expired	(324,000)	$0.24
Outstanding Balance – December 31, 2019	9,472,667	$0.26
Granted	4,030,000	$0.18
Outstanding Balance – June 30, 2020	**13,502,667**	**$ 0.23**

Granting of Options

The fair value of newly granted stock options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for stock options granted during the six months ended June 30, 2020 and the year ended December 31, 2019 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility[1]	Weighted Average Black-Scholes Fair Value
June 11, 2020	5.0	$0.18	0.37%	109.08%	$0.08
March 26, 2019	5.0	$0.46	1.43%	108.73%	$0.36
April 12, 2019	0.5	$0.13	1.63%	93.10%	$0.46
April 12, 2019	0.5	$0.09	1.63%	93.10%	$0.50
April 12, 2019	0.5	$0.11	1.63%	93.10%	$0.48
April 12, 2019	0.5	$0.20	1.63%	93.10%	$0.40
April 12, 2019	0.5	$0.19	1.63%	93.10%	$0.41
April 12, 2019	0.5	$0.24	1.63%	93.10%	$0.36
April 12, 2019	8.1	$0.13	1.72%	106.80%	$0.56
April 12, 2019	7.6	$0.11	1.72%	108.93%	$0.56
April 12, 2019	7.1	$0.09	1.72%	109.88%	$0.56
May 27, 2019	5.0	$0.55	1.46%	107.16%	$0.39

[1]Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option where sufficient history of the Company was not available, calculated over the same period as the expected life of the option. Where sufficient history was available, the volatility was determined based upon the historic volatility of the Company's share price over the same period of time as the expected life of the option.

Stock options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The following option grants are subject to alternate vesting provisions:

(i) 1,760,000 of the 4,030,000 options granted June 11, 2020 were granted to non-executive directors and vested immediately. 200,000 of the options were granted to consultants and subject to vesting provisions whereby one third will vest six months from the grant date, one third will vest twelve months from the grant date, and one third will vest eighteen months from the grant date. The remaining 2,070,000 options were granted to employees and consultants and subject to typical vesting provisions.

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. EQUITY (continued)

(ii) The 75,000 stock options granted March 26, 2019 were granted to a consultant and subject to vesting provisions whereby one third will vest six months from the grant date, one third will vest twelve months from the grant date, and one third will vest eighteen months from the grant date.

(iii) The 1,755,000 stock options granted on April 12, 2019 were granted to former Lorraine optionholders pursuant to the terms of the Arrangement (Note 4) and were fully vested on the grant date.

(iv) The 75,000 stock options granted May 27, 2019 were granted to a consultant and subject to vesting provisions whereby one third will vest six months from the grant date, one third will vest twelve months from the grant date, and one third will vest eighteen months from the grant date.

Forfeiture of Options

No options were forfeited during the six months ended June 30, 2020 or the year ended December 31, 2019.

12. RELATED PARTY TRANSACTIONS

Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company owned by three directors of the Company and provides technical and administrative services to the Company (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at June 30, 2020, Oxygen holds a refundable security deposit of $19,500 on behalf of the Company (December 31, 2019 - $19,500).

During the six months ended June 30, 2020, a total of $278,922 was paid or accrued to Oxygen as reimbursement of costs incurred by Oxygen on behalf of the Company (June 30, 2019 - $280,053). As at June 30, 2020, the Company has a payable amount to Oxygen of $34,890 (December 31, 2019 – $52,827). This amount was paid subsequent to June 30, 2020.

Compensation of key management personnel

Key management includes the members of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer, and the Vice President, Exploration. The aggregate total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Six months ended June 30, 2020	Six months ended June 30, 2019
Salaries and other short-term employee benefits	$ 347,347	$ 252,903
Directors fees	132,500	121,237
Share-based compensation	199,982	137,425
Total	**$ 679,829**	**$ 511,565**

13. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment which is the mineral exploration business in Canada. The Company’s exploration and evaluation asset is located in Canada.

14. COMMITMENTS & CONTINGENCIES

a) The Company's general and administrative costs, including costs with respect to its head office premises are paid by Oxygen pursuant to the Oxygen Agreement, and may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative fees due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement, and the Company's share of any contractual obligations entered into on its behalf by Oxygen. During the six months ended June 30, 2020 the Company expensed $57,085 in regards to its head office premises commitment.

b) As at June 30 2020, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the October 2019 private placement (Note 11b(v)). As at June 30, 2020, the Company had incurred qualifying resource expenditures of $3,188,682, and at June 30, 2020 amortized the portion of the flow-through liability relating to expenditures incurred during the six months ended June 30, 2020, recognizing a deferred tax recovery of $57,494 in the Company's consolidated statement of loss and comprehensive loss for the six months ended June 30, 2020.

The Company must therefore incur the balance of $2,962,818 qualifying resource expenditures in relation to the FT and Premium FT Shares in accordance with Government of Canada flow-through regulations. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

15. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial assets or liabilities measured and recognized the statement of financial position at fair value. At June 30, 2020, the carrying amounts of cash, amounts receivable, deposits, accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature and/or the interest rate being earned.

16. MANAGEMENT OF CAPITAL

Sun Metals considers the items included in the statement of shareholders' equity as capital. Management of 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. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements. Sun Metals' objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to explore its mineral property interests and continue its operations for the benefit of its shareholders. There has been no change to the Company's approach to management of capital during the six months ended June 30, 2020.

17. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board provides oversight for the Company's risk management processes. The type of risk exposure and the way in which such exposure is managed is explained as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, amounts receivable and deposits. The carrying amount of financial assets recorded in the statement of financial position, represents the maximum exposure to credit risk.

The Company deposits its cash and reclamation deposits with high credit quality major Canadian financial institutions as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

The Company's deposits are held by a related party and major Canadian financial institutions and are not considered to be subject to credit risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At June 30, 2020, the Company had cash of $3,749,058 (December 31, 2019 - $4,797,225) and amounts receivable (Note 5) of $1,062,717 (December 31, 2019 - $1,529,476) to settle accounts payable and accrued liabilities of $534,956 (December 31, 2019 - $1,687,028) and meet its flow-through financing resource expenditure commitment of $2,962,818 (December 31, 2019 - $3,665,062).

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash balance is deposited in accounts which earns a variable interest rate. The Company does not believe it is exposed to material interest rate risk on its cash balance.