



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the nine months ended September 30, 2020**

**(Unaudited – Expressed in Canadian dollars)**

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### **NOTICE TO READER**

These condensed consolidated interim financial statements of Sun Peak Metals Corp. have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to the financial statements or the related Management's Discussion and Analysis.

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**SUN PEAK METALS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited – Expressed in Canadian dollars)

		September 30,	December 31,
	<i>Note</i>	2020	2019
<b>ASSETS</b>			
Current			
Cash	4	\$ 10,754,875	\$ 14,339,728
Receivables	5	146,838	14,780
Prepaid expenses	6	12,142	21,837
		10,913,855	14,376,345
Advances		-	52,195
Equipment	7	311,431	174,414
Exploration and evaluation assets	8	8,054	8,054
Deferred acquisition costs	9	2,445,706	785,876
		\$ 13,679,046	\$ 15,396,884
<b>LIABILITIES</b>			
Current			
Trade and other payables	10	\$ 54,479	\$ 721,241
<b>EQUITY</b>			
Share capital	11	17,745,808	5,316,413
Special Warrants	11	-	12,254,395
Reserve	11	1,143,418	47,589
Deficit		(5,264,659)	(2,942,754)
		13,624,567	14,675,643
		\$ 13,679,046	\$ 15,396,884
Nature of operations	1		
Subsequent events	15		

These condensed consolidated interim financial statements were approved and authorized for issue by the Audit Committee of the Board of Directors of the Company on November 30, 2020.

**On behalf of the Board:**/s/ David Awram

Director

/s/ Greg Davis

Director

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

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

(Unaudited – Expressed in Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2020	2019	2020	2019
<b>Expenses</b>					
Consulting fees	12	\$ 30,000	\$ 18,000	\$ 86,000	\$ 48,000
Depreciation	7	11,224	2,093	31,793	6,281
Exploration and evaluation expenditures	8	20,467	221,578	267,424	455,042
Foreign exchange		66,357	22,323	62,143	39,008
Investor relations		26,443	-	67,543	-
Office expenses	12	55,373	20,041	103,668	44,985
Marketing fees	12	38,000	-	104,000	-
Professional fees		41,105	-	102,659	2,000
Regulatory costs		37,515	-	67,679	-
Salaries and benefits	12	92,976	84,207	379,179	231,324
Share-based compensation	11 & 12	-	-	1,095,829	-
Travel expenses		33,093	-	88,087	-
		(452,553)	(368,242)	(2,456,004)	(826,640)
<b>Interest income</b>		49,151	2,032	134,099	2,032
<b>Loss and comprehensive loss for the period</b>		\$ (403,402)	\$ (366,210)	\$ (2,321,905)	\$ (824,608)
<b>Basic and diluted loss per share</b>		\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)
<b>Weighted average number of shares outstanding</b>		78,438,634	38,753,569	63,411,625	35,473,987

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

**SUN PEAK METALS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited – Expressed in Canadian dollars)

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows to operating activities</b>		
Loss for the period	\$ (2,321,905)	\$ (824,608)
Items not involving cash:		
Depreciation	31,793	6,281
Share-based compensation	1,095,829	-
Change in non-cash working capital items:		
Receivables	(132,058)	8,274
Prepaid expenses	9,695	(24,255)
Trade and other payables	(666,762)	(22,682)
	<u>(1,983,408)</u>	<u>(856,990)</u>
<b>Cash flows to investing activities</b>		
Advances	(495)	-
Purchase of equipment	(116,120)	-
Exploration and evaluation assets	-	(2,706)
Deferred acquisition costs	(1,659,830)	(461,762)
	<u>(1,776,445)</u>	<u>(464,468)</u>
<b>Cash flows from financing activities</b>		
Proceeds from Special Warrants	175,000	-
Proceeds from private placement	-	2,000,000
	<u>175,000</u>	<u>2,000,000</u>
<b>Change in cash for the period</b>	<b>(3,584,853)</b>	<b>678,542</b>
<b>Cash, beginning of period</b>	<b>14,339,728</b>	<b>800,658</b>
<b>Cash, end of period</b>	<b>\$ 10,754,875</b>	<b>\$ 1,479,200</b>
<b>Non-cash investing and financing activities</b>		
Conversion of Special Warrants	\$ 12,429,395	\$ -
Advances allocated to equipment	52,690	-
<b>Supplementary information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

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

**SUN PEAK METALS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited – Expressed in Canadian dollars)

	<b>Number of shares</b>	<b>Share capital</b>	<b>Special Warrants</b>	<b>Reserve</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2019</b>	41,362,265	\$ 5,316,413	\$ 12,254,395	\$ 47,589	\$ (2,942,754)	\$ 14,675,643
Special Warrants	-	-	175,000	-	-	175,000
Conversion of Special Warrants	37,076,369	12,429,395	(12,429,395)	-	-	-
Share-based compensation	-	-	-	1,095,829	-	1,095,829
Loss and comprehensive loss for the period	-	-	-	-	(2,321,905)	(2,321,905)
<b>Balance, September 30, 2020</b>	78,438,634	\$ 17,745,808	\$ -	\$ 1,143,418	\$ (5,264,659)	\$ 13,624,567

	<b>Number of shares</b>	<b>Share capital</b>	<b>Special Warrants</b>	<b>Reserve</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	33,862,265	\$ 2,316,413	\$ -	\$ -	\$ (1,296,419)	\$ 1,019,994
Private placement	5,000,000	2,000,000	-	-	-	2,000,000
Loss and comprehensive loss for the period	-	-	-	-	(824,608)	(824,608)
<b>Balance, September 30, 2019</b>	38,862,265	\$ 4,316,413	\$ -	\$ -	\$ (2,121,027)	\$ 2,195,386

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

**SUN PEAK METALS CORP.**

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS**

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Sun Peak Metals Corp. (the “Company”) is a publicly traded company incorporated pursuant to the provisions of the British Columbia Business Corporations Act on June 2, 2016. Effective August 17, 2020, the Company’s common shares commenced trading on the TSX Venture Exchange (“TSX-V”) under the symbol PEAK. The Company’s head office and registered and records office address is Unit 1 – 15782 Marine Drive, White Rock, B.C. Canada V4B 1E6.

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

The Company organized its wholly owned subsidiary, Sun Peak Ethiopia Mining PLC (“Sun Peak Ethiopia”) under the provisions of the Commercial Code of Ethiopia on October 3, 2016.

In addition to Sun Peak Ethiopia, the Company also has an agreement with Ezana Mining Development plc, that governs the funding and activities of Axum Metals Share Company (Note 9).

In early November 2020, armed conflicts broke out in the Tigray Region of northern Ethiopia and a state of emergency was declared in the Tigray Region by the Federal Democratic Republic of Ethiopia government. All work programs were suspended and will remain suspended until the region is deemed safe.

In late November 2020, the Company invoked force majeure on all four of its exploration projects by notification to Ethiopia’s Ministry of Mines and Petroleum. The Company also invoked force majeure pursuant to the joint venture agreement between the Company and Ezana Mining Development plc (“Ezana”) by notification to Ezana. The reason for invoking force majeure measures, both with the Ministry of Mines and Ezana, was to defer any work and contractual commitments on the project until it is deemed safe and stable to resume exploration work. The Company continues to communicate with the Ethiopian Ministry of Mines and Ezana regarding security of the region and looks forward to resuming work. The Company’s top priority remains the continued safety of all employees and contractors.

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

The Company suspended exploration operations in March 2020 due to the pandemic. In September 2020, the Company returned to full exploration operations in Ethiopia, however in November 2020, suspended exploration operations again due to the conflicts in Ethiopia.

**SUN PEAK METALS CORP.**

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS (continued)**

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These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at September 30, 2020, the Company had working capital of \$10,859,376. Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months.

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

**2. BASIS OF PRESENTATION**

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**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at the date the Board of Directors approved these condensed consolidated interim financial statements for issue.

These condensed consolidated interim financial statements do not include all of the information and disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2019.

**Basis of measurement**

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

**Functional and presentation currency**

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



**SUN PEAK METALS CORP.**

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

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**2. BASIS OF PRESENTATION (continued)**

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**Use of estimates and judgments**

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

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

(i) Critical accounting estimates

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

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

(ii) Critical accounting judgments

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended December 31, 2019.

**Standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2020 and have not been applied in preparing these condensed consolidated interim financial statements. In addition, these standards are not expected to impact the Company.

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

**4. CASH**

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	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Canadian dollar denominated deposits held in Canada	\$ 10,401,976	\$ 14,065,055
US dollar denominated deposits held in Canada	1,428	94,360
US dollar denominated deposits held in Ethiopia	236,307	139,212
Birr denominated deposits held in Ethiopia	115,164	41,101
Total	\$ 10,754,875	\$ 14,339,728

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**5. RECEIVABLES**

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	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Amounts due from the Government of Canada pursuant to goods and services input tax credits	\$ 12,679	\$ 13,881
Interest receivable	134,096	-
Other	63	899
Total	\$ 146,838	\$ 14,780

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**6. PREPAID EXPENSES**

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	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Prepaid insurance	\$ 4,212	\$ 8,817
Prepaid marketing	1,000	-
Prepaid rent	-	10,366
Other	6,930	2,654
Total	\$ 12,142	\$ 21,837

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

**7. EQUIPMENT**

	Office furniture and equipment	Field equipment	Vehicles	Total
<b>Cost</b>				
At December 31, 2019	\$ 15,794	\$ 48,284	\$ 128,361	\$ 192,439
Additions	25,507	99,343	43,960	168,810
At September 30, 2020	\$ 41,301	\$ 147,627	\$ 172,321	\$ 361,249
<b>Accumulated depreciation</b>				
At December 31, 2019	\$ 1,928	\$ 13,958	\$ 2,139	\$ 18,025
Depreciation	4,513	6,887	20,393	31,793
At September 30, 2020	\$ 6,441	\$ 20,845	\$ 22,532	\$ 49,818
<b>Carrying amounts</b>				
At December 31, 2019	\$ 13,866	\$ 34,326	\$ 126,222	\$ 174,414
At September 30, 2020	\$ 34,860	\$ 126,782	\$ 149,789	\$ 311,431

**8. EXPLORATION AND EVALUATION ASSETS**

	Nefasit Project	Adi Dairo Project	Total
December 31, 2019	\$ 5,257	\$ 2,797	\$ 8,054
Additions	-	-	-
September 30, 2020	\$ 5,257	\$ 2,797	\$ 8,054

**Shire Project:****Nefasit Exploration License (“EL”)**

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

**Adi Da-iro EL**

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

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

**8. EXPLORATION AND EVALUATION ASSETS (continued)**

Exploration and evaluation expenditures on the Nefasit and Adi Da-iro Els included in the loss for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Nefasit				
Project administration	\$ 682	\$ 167,839	\$ 22,602	\$ 75,965
Salaries and benefits	1,628	41	10,065	350,132
Studies and evaluations	516	43,142	59,111	4,796
Travel expenses	2,879	10,556	11,207	24,149
	5,705	221,578	102,985	455,042
Adi Da-iro				
Project administration	569	-	44,346	-
Salaries and benefits	2,884	-	28,194	-
Studies and evaluations	2,671	-	58,277	-
Travel expenses	8,638	-	33,622	-
	14,762	-	164,439	-
Total	\$ 20,467	\$ 221,578	\$ 267,424	\$ 455,042

**9. DEFERRED ACQUISITION COSTS**

	September 30, 2020	December 31, 2019
Opening balance	\$ 785,876	\$ 239,702
Advances to Axum	813,040	97,410
Expenses paid on behalf of Axum	846,790	448,764
Closing balance	\$ 2,445,706	\$ 785,876

**Axum agreement**

On November 11, 2017, the Company entered into an option and joint venture shareholders' agreement (the "JV Agreement"), as amended, with Ezana Mining Development plc ("Ezana") that became effective on December 12, 2017, when the conditions precedent were met. Pursuant to the JV Agreement, the Company has an option to earn up to 70% in Axum Metals Share Company ("Axum"), which holds the Terer and Meli ELs. The Company may earn a 51% interest in Axum upon completion of US\$5 million in expenditures by December 3, 2022.

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

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

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

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**9. DEFERRED ACQUISITION COSTS (continued)**

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**Terer EL**

On June 12, 2019, the Terer EL was transferred by Ezana to Axum with a remaining term that expired March 29, 2020. The Terer EL was subsequently renewed for a further one-year term until March 29, 2021. In accordance with the Ministry of Mines regulations for ELs, 25% of the area covered by the original EL was relinquished on the renewal. The Company does not consider the 25% area relinquished to be prospective and it does not affect the exploration program for the Terer project. Axum has completed the required expenditure of Birr 16,901,340 (approximately \$800,000). The renewal of the Terer EL has a required expenditure of Birr 32,382,240 (approximately \$1.5 million). The project is subject to a 2% NSR royalty.

**Meli EL**

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

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**10. TRADE AND OTHER PAYABLES**

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	September 30, 2020	December 31, 2019
Trade and other payables in Canada	\$ 4,460	\$ 404,436
Trade and other payables in Ethiopia	5,375	236,699
Amounts due to related parties (Note 12)	44,644	80,106
Total	\$ 54,479	\$ 721,241

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**11. SHARE CAPITAL**

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**a) Authorized share capital**

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

**b) Issued share capital**

On January 8, 2020, the Company completed a non-brokered private placement through the issue of 500,000 special warrants (“Special Warrants”) at \$0.35 per Special Warrant for gross proceeds of \$175,000. Each Special Warrant is exercisable into one common share of the Company.

In April and May 2020, the Company issued 37,076,369 common shares of the Company on conversion of 37,076,369 Special Warrants issued in 2019, for no additional consideration.

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

**11. SHARE CAPITAL (continued)****c) Warrants**

The continuity of warrants for the nine months ended September 30, 2020 is as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Balance, December 31, 2019</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>Balance, September 30, 2020</b>
September 23, 2021	\$ 0.15	8,200,000	-	-	-	8,200,000
September 23, 2021	\$ 0.15	500,000	-	-	-	500,000
December 18, 2021	\$ 0.35	257,130	-	-	-	257,130
		8,957,130	-	-	-	8,957,130
Weighted average exercise price	\$ 0.16	\$ -	\$ -	\$ -	\$ -	\$ 0.16

**d) Options**

On January 24, 2020, the Company adopted a rolling stock option plan (the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The maximum term of stock options is ten years from the grant date. The exercise price and vesting terms are at the discretion of the directors. The stock option expiry date for the options granted on August 17, 2020 was set at five years from the Company's listing on the TSX-V on August 17, 2020.

The continuity of stock options for the nine months ended September 30, 2020 is as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Balance, December 31, 2019</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>Balance, September 30, 2020</b>
August 17, 2025	\$ 0.35	-	4,200,000	-	-	4,200,000
		-	4,200,000	-	-	4,200,000
Weighted average exercise price	\$ -	\$ 0.35	\$ -	\$ -	\$ -	\$ 0.35

**e) Share-based compensation**

On January 24, 2020, the Company granted 4,100,000 stock options to directors, officers, employees, and consultants at a fair value of \$1,069,957 or \$0.26 per option, which was recorded as share-based compensation for the nine months ended September 30, 2020. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.41%; an expected volatility of 100%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On April 15, 2020, the Company granted 100,000 stock options to a consultant at a fair value of \$25,872 or \$0.26 per option, which was recorded as share-based compensation for the nine months ended September 30, 2020. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.42%; an expected volatility of 100%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

**12. RELATED PARTY TRANSACTIONS***Compensation of key management personnel*

Key management includes members of the Board of Directors, the President and Chief Executive Officer, the Vice President Exploration & Geology, the Vice President Project Development, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid, or payable, to key management personnel, which includes the amounts disclosed above, during the three and nine months ended September 30, 2020 and 2019 were as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Consulting fees					
Golden Oak	(1)	\$ 30,000	\$ 18,000	\$ 86,000	\$ 48,000
Office expenses					
Sandstorm	(2)	17,288	9,128	42,465	26,034
Marketing fees					
Peak	(3)	30,000	-	90,000	-
VRIFY	(4)	8,000	-	14,000	-
Salaries and benefits					
Greg Davis	Officer & Director	37,500	30,000	110,000	80,000
David Daoud	Officer	37,500	30,000	110,000	80,000
Scott Ansell	Officer	37,500	18,000	110,000	48,000
Share-based compensation					
Greg Davis	Officer & Director	-	-	195,724	-
David Daoud	Officer	-	-	195,724	-
Scott Ansell	Officer	-	-	195,724	-
Golden Oak	Officers	-	-	117,434	-
David Awram	Director	-	-	117,434	-
Stephen de Jong	Director	-	-	78,290	-
Hayley De Witt	Director	-	-	52,193	-
<b>Total</b>		<b>\$ 197,788</b>	<b>\$ 105,128</b>	<b>\$ 1,514,988</b>	<b>\$ 282,034</b>

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

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**12. RELATED PARTY TRANSACTIONS (continued)**

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- (1) Golden Oak is a consulting company controlled by Dan O'Brien, the Chief Financial Officer, and Doris Meyer, a director and the Corporate Secretary, of the Company. Golden Oak provides the services of a Chief Financial Officer, a Corporate Secretary, and accounting and administrative staff to the Company. The Chief Financial Officer and the Corporate Secretary are employees of Golden Oak and are not paid directly by the Company.
- (2) Sandstorm Gold Ltd. ("Sandstorm") is a company of which David Awram, a director of the Company, is an officer. Sandstorm provides the Company with shared office space.
- (3) Peak Investor Marketing Corp. ("Peak") is a consulting company of which Nichola Vermiere is a principal. Ms. Vermiere is the spouse of Greg Davis, the President and Chief Executive Officer and a director of the Company. Peak provides marketing services to the Company.
- (4) VRIFY Technology Inc. ("VRIFY") is a consulting company of which Stephen de Jong, a director of the Company, is a principal. VRIFY provides marketing services to the Company.

*Amounts due to related parties*

As at September 30, 2020, the Company owed \$44,644 (December 31, 2019 – \$80,106) to related parties as follows: \$16,677 to Sandstorm for shared office costs, \$10,500 to Peak for marketing fees, and \$14,860 to Scott Ansell and \$2,607 to Golden Oak for the reimbursement of expenses. All amounts owed are unsecured and non-interest bearing.

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**13. SEGMENTED INFORMATION**

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

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

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

With the exception of the cash disclosed in Note 4, all of the Company's significant assets are located in Ethiopia.



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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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**Financial Instruments**

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); fair value through other comprehensive income (“FVTOCI”); or at amortized cost. The carrying values of the Company’s financial instruments are classified into the following categories:

		<b>September 30, 2020</b>	<b>December 31, 2019</b>
Cash	FVTPL	\$ 10,754,875	\$ 14,339,728
Receivables	Amortized cost	134,159	899
Trade and other payables	Amortized cost	54,479	721,241

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

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

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

**Risk management**

The Company’s risk management objectives and policies are consistent with those disclosed by the Company for the year ended December 31, 2019.

**SUN PEAK METALS CORP.**

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

For the nine months ended September 30, 2020

(Unaudited – Expressed in Canadian dollars)

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**15. SUBSEQUENT EVENTS**

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In early November 2020, armed conflicts broke out in the Tigray Region of northern Ethiopia and a state of emergency was declared in the Tigray Region by the Federal Democratic Republic of Ethiopia government. All work programs were suspended and will remain suspended until the region is deemed safe.

In late November 2020, the Company invoked force majeure on all four of its exploration projects by notification to Ethiopia's Ministry of Mines and Petroleum. The Company also invoked force majeure pursuant to the joint venture agreement between the Company and Ezana Mining Development plc ("Ezana") by notification to Ezana. The reason for invoking force majeure measures, both with the Ministry of Mines and Ezana, was to defer any work and contractual commitments on the project until it is deemed safe and stable to resume exploration work. The Company continues to communicate with the Ethiopian Ministry of Mines and Ezana regarding security of the region and looks forward to resuming work. The Company's top priority remains the continued safety of all employees and contractors.