Delta Resources Limited
(formerly Golden Hope Mines Limited)

(An exploration stage company)
Financial Statements

December 31, 2019 and 2018

Contents

Management's Responsibility

To the Shareholders of Delta Resources Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditor. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditor.

MNP SENCRL, srl, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meets periodically and separately with, both the Committee and management to discuss their audit findings.

March 26, 2020

[*Signed by André C. Tessier*]

André C. Tessier
President and Chief Executive Officer

[*Signed by Nathalie Laurin*]

Nathalie Laurin
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Delta Resources Limited (formerly Golden Hope Mines Limited):

Opinion

We have audited the financial statements of Delta Resources Limited (formerly Golden Hope Mines Limited) (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of loss and other comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the financial statements, which indicates that the Company is facing several adverse conditions that indicate the existence of a material uncertainty related to whether it can continue operating as a going concern. The Company has incurred a net loss of $809,813 during the year ended December 31, 2019, has accumulated losses of $36,365,860 since its inception and expects to continue to incur further losses in the development of its business. As stated in Note 4, these events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

MNP SENCRL, srl[1]

Montréal, Québec

March 26, 2020

[1] FCPA auditor, FCA, public accountancy permit no. A122514

Delta Resources Limited
(Formerly Golden Hope Mines Limited)
(An exploration stage company)
Statements of financial position
(In Canadian dollars)

	As at December 31, 2019	As at December 31, 2018
	$	$
ASSETS		
Current:		
Cash	938,809	67,767
Sales tax receivable	47,288	4,665
Credits on duties receivable	35,265	1,630
Prepaid expenses	78,707	13,662
	1,100,069	87,724
Non-current:		
Property and equipment (Note 7)	53,055	54,454
	53,055	54,454
Total assets	1,153,124	142,178
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 8 and 13)	132,935	389,373
Total liabilities	132,935	389,373
Shareholders' equity (deficiency)		
Share capital (Note 9)	29,822,851	28,193,334
Warrants (Note 9)	351,491	-
Contributed surplus	7,211,707	7,115,518
Deficit	(36,365,860)	(35,556,047)
Total shareholders' equity (deficiency)	1,020,189	(247,195)
Total liabilities and shareholders' equity	1,153,124	142,178

Going concern, related party transactions, commitments and subsequent events (Notes 4, 13, 14 and 19)

These financial statements were approved by the Company's board of directors on March 26, 2020.

"Frank Candido" — Frank Candido, Director

" Roy Millington" — Roy Millington, Director

The accompanying notes are an integral part of these financial statements

Delta Resources Limited
(Formerly Golden Hope Mines Limited)
(An exploration stage company)
Statements of loss and comprehensive loss
For the years ended December 31,
(In Canadian dollars)

	2019	2018
	$	$
Operating Expenses		
Shareholders' information	**44,107**	29,064
Legal, financial and other corporate expenses	**105,512**	159,432
Salaries and fringe benefits	**50,649**	-
Travel	**11,633**	3,738
Share-based compensation (Note 9)	**86,919**	7,435
General administrative expenses	**38,256**	36,780
Management fees (Note 13)	**15,000**	15,000
Exploration and evaluation expenditures (Note 10)	**618,744**	(1,952)
Depreciation (Note 7)	**1,399**	1,619
	972,219	251,116
Other income		
Gain on extinguishment of financial liability	**162,406**	-
Net loss and comprehensive loss	**(809,813)**	(251,116)
Basic and fully diluted loss per common share (Note 17)	**(0.044)**	(0.018)
Basic and fully diluted weighted average number of common shares during the year (Note 17)	**18,304,063**	13,644,338

The accompanying notes are an integral part of these financial statements

(In Canadian dollars)

	2019 $	2018 $
CASH PROVIDED BY (USED IN):		
Operating activities:		
Net loss and comprehensive loss	**(809,813)**	(251,116)
Adjustments for items not affecting cash		
Tax credits and credits on duties	**(33,635)**	55
Share-based compensation	**86,919**	7,435
Depreciation	**1,399**	1,619
Share issuance in consideration of exploration and evaluation expenditures	**327,500**	-
Gain on extinguishment of financial liability	**(162,406)**	-
Loss from operations	**(590,036)**	(242,007)
Net change in non-cash operating working capital items (Note 12)	**(201,699)**	195,724
Cash flows related to operating activities	**(791,736)**	(46,283)
Investing Activities:		
Tax credits and credits on duties receivable	**-**	3,580
Cash flows related to investing activities	**-**	3,580
Financing activities:		
Cash inflow related to share capital	**1,387,000**	**-**
Warrants exercised	**315,600**	-
Share issue costs	**(39,822)**	-
Cash flows related to financing activities	**1,662,778**	-
Increase (decrease) in cash	**871,042**	(42,703)
Cash, beginning of year	**67,767**	110,470
Cash, end of year	**938,809**	67,767

The accompanying notes are an integral part of these financial statements

Delta Resources Limited
(Formerly Golden Hope Mines Limited)
(An exploration stage company)
Statements of changes in equity (deficiency)

For the years ended December 31
(in Canadian dollars)

	Common Shares (note 9)	Amount $ (note 9)	Warrants $ (note 9)	Contributed Surplus $ (note 9)	Deficit $	Total $
Balance, January 1, 2019	13,644,338	28,193,334	-	7,115,518	(35,556,047)	(247,195)
Share issuance	11,275,000	951,053	-	-	-	951,053
Share issuance in consideration of exploration and evaluation expenditures	1,500,000	327,500	-	-	-	327,500
Options issued	-	-	-	86,919	-	86,919
Warrants issued	-	-	435,947	-	-	435,947
Warrants exercised	2,630,000	400,056	(84,456)	-	-	315,600
Share issue costs	-	(49,092)	-	9,270	-	(39,822)
Comprehensive loss	-	-	-	-	(809,813)	(809,813)
Balance, December 31, 2019	29,049,338	29,822,851	351,491	7,211,707	(36,365,860)	1,020,189
Balance, January 1, 2018	13,644,338	28,193,334	446,665	6,661,418	(35,304,931)	(3,514)
Options issued	-	-	-	7,435	-	7,435
Warrants expired	-	-	(446,665)	446,665	-	-
Comprehensive loss	-	-	-	-	(251,116)	(251,116)
Balance, December 31, 2018	13,644,338	28,193,3344	-	7,115,518	(35,556,047)	(247,195)

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Delta Resources Limited (the "Company") is a corporation continued under the Business Corporations Act (Ontario) incorporated on January 19, 1946. The Company changed its name to Delta Resources Limited from Golden Hope Mines Limited in June 2019. The Company's principal operations are mining properties and exploration expenditures made on properties that are not in commercial production. The Company is exploring its mining properties and has not determined whether or not the properties contain economically recoverable resources. The address of the registered office is 1718, Christine Crescent, Kingston, Ontario, Canada, K7L 4V4.

The Company's shares are listed under the symbol DLTA on the TSX Venture Exchange.

2. Basis of preparation

Statement of Compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") and set out in Part 1 of the CPA Canada Handbook.

The Board of Directors approved these financial statements on March 26, 2020.

Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, unless specifically stated in the financial statements.

Functional and Presentation currency

These financial statements are presented in Canadian Dollars because that is the currency of the primary economic environment in which the Company operates, and is the functional currency of the Company.

3. New accounting standards and interpretations adopted

The Company has adopted the following new standard and interpretations, with a date of initial application of January 1, 2019.

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, Leases, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17, Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low values assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. The Company does not have any operating leases with a term greater than a year

The Company adopted this standard retrospectively on January 1st, 2019 without restating the figures for the comparative periods, as permitted under the specific transitional provisions in the standard (modified retrospective approach).

The adoption of this standard did not have an impact on the Company's financial statements.

4. Going concern

The Company has not yet determined whether its mining properties contain mineral deposits that are economically recoverable. The recoverability of mining properties is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; and the ability to obtain the financing required to complete exploration, evaluation, development and construction or the proceeds from the sale of such assets.

The accompanying financial statements have been prepared using assumptions applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

There are several adverse conditions that indicate the existence of a material uncertainty which may cast significant doubt about the soundness of the going concern assumption. The Company had recurring losses in prior years and has accumulated losses of $36,365,860 since its inception and expects to incur further losses in the development of its business. Further, the business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding for the exploration and evaluation programs and pay general and administrative costs. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. As at December 31, 2019, the Company has a working capital of $967,134.

There is a material uncertainty regarding the Company's ability to secure financing in the future or that these sources of funding will be available. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, reduction in expenditures and/or the introduction of joint venture partners and/or business combinations on terms which are acceptable to the Company. Although the Company has been successful in the past at raising funds, there can be no assurance the Company will be able to secure financing in the future or that these sources of funding will be available.

5. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and highly-liquid short-term investments initially maturing within three months of their acquisition date.

5. Summary of Significant Accounting Policies – Cont'd

Property and Equipment

Property and equipment are accounted for at cost less any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Amortization of equipment is calculated using the declining method and at the following rates:

Equipment	40%
Building	4%

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end. Gains or losses arising on the disposal of property and equipment is determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of loss and comprehensive loss.

Mining properties

Costs related to exploration and evaluation of mineral properties, option and lease payments and costs of acquiring mineral rights are recognized in profit or loss as incurred.

Any option payments or proceeds from the sale of royalty interests received by the Company are recorded as income in the period received.

Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the statements of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities:

a) are generally recognized for all taxable temporary differences; and
b) are recognized for taxable temporary differences arising on mining assets, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

5. Summary of Significant Accounting Policies – Cont'd

Deferred tax – Cont'd

Deferred tax assets:

a) are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
b) are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Provisions

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based compensation

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options at the date of grant. For graded vested share options, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. The Company also provides for an estimate of the forfeiture rates in determining the total stock-based compensation expense.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of loss and comprehensive loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statements of loss and comprehensive loss is charged with the fair value of goods and services received.

Warrants

The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus.

5. Summary of Significant Accounting Policies – Cont'd

Warrants – Cont'd

When the Company issues units under a private placement comprising common shares and warrants, it follows the fair value method of accounting for these warrants. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. Proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the existing shares and the amount the investor pays for the flow-through shares. A liability is recognized for this difference and is recorded as a flow-through share premium liability on the statement of financial position. The liability is reversed when the qualifying expenditure is incurred and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the flow-through share premium liability recognized on issuance.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury stock method.

Tax credits and credits on duties receivable

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is for expenses incurred on mining activities in Quebec. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, Income Taxes. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, which is recorded against exploration and evaluation expenditures.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 28% and is recorded as a government grant against exploration and evaluation expenditures.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits. They will be recognized in profit or loss.

5. Summary of Significant Accounting Policies – Cont'd

Segment reporting

The Company presents and discloses segment information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Company conducts its business in a single operating segment being the acquisition, exploration and development of exploration properties.

Foreign currency translation

The monetary assets and liabilities of the Company denominated in foreign currencies are translated at the rate of exchange at the statements of financial position date. Revenues and expenses are translated at the average exchange rate prevailing during the period. Exchange gains or losses are included in comprehensive loss.

Impairment of non-financial assets

The Company's non-financial assets are reviewed for indications of impairment at each statements of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss. An impairment loss recognized for goodwill is not reversed.

Reclamation Obligations

Estimated reclamation costs are based on legal, environmental and regulatory requirements. The costs of our active mining operations are accrued, on an undiscounted basis, as a production cost, on a unit-of-production method based on proven and probable reserves. We have made estimates of the final reclamation costs based on mine-closure plans approved by environmental agencies. We periodically review these estimates and update our reclamation cost estimates if assumptions change. Material assumptions that are made in deriving these estimates include variables such as mine life and inflation rates.

5. Summary of Significant Accounting Policies – Cont'd

Financial instruments

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after January 1, 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. IFRS 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments. The Company's financial assets classified at amortized cost continues to be classified at amortized cost and there was no material impact on adoption from the application of the new model. There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2018 that have a material effect on the financial statements of the Company.

Financial assets and financial liabilities at amortized cost

Classification of assets

The Company classifies financial instruments in accordance with IFRS 9. The Company's cash, trade and other receivables and accounts payable and accrued liabilities are classified and measured at amortized cost.

Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The fair values of the Company's financial assets and liabilities classified in this category approximate their carrying amounts due to their short-term nature.

Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognized at cost on the trade date – the date on which the Company commits to purchase or sell the investment. Transaction costs are expensed as incurred in the statement of comprehensive income (loss). Financial assets are derecognized when the rights to receive cash flows have expired or the Company has transferred substantially all risks and rewards of ownership. Subsequent to initial recognition, all financial assets and financial liabilities are measured at amortized cost.

Fair value

The Company estimates the fair value of financial assets classified at amortized cost based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and uses the following hierarchy in determining these estimates:

- Level 1 – Valuations based on quoted prices (unadjusted) are available in active markets for identical financial instruments as of the reporting date.

- Level 2 – Valuations based on inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly.

5. Summary of Significant Accounting Policies – Cont'd

- Level 3 – Valuations based on inputs are generally less observable or unobservable and significant to the overall fair value measurement. The availability of valuation techniques and observable inputs can vary from financial instrument and are affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these financial instruments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instruments level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

IAS 7 Statement of Cash Flows

The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments were adopted on January 1, 2017 and had not resulted in any material changes in these financial statements or reported results.

IFRS 2 Share based payment

On September 20, 2016, the IASB published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions.

These amendments deal with variations in the final settlement arrangements including; (a) accounting for cash-settled share-based payment transactions that include a performance condition, (b) classification of share-based payment transactions with net settlement features, as well as (c) accounting for modifications of share-based payment transactions from cash-settled to equity.

As of January 1, 2018, the Company has adopted IFRS 2 and has concluded that, based on its current operations, it had no impact on the Company's financial statements.

6. Critical accounting estimates, judgments and assumptions

When preparing its financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management. Information about critical judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Judgments

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is a material uncertainty regarding the Company's ability to continue as a going concern.

6. Critical accounting estimates, judgments and assumptions – Cont'd

Mining properties

Even though the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Impairment of non-financial assets

The Company's evaluation of the recoverable amounts with respect to non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values.

The Company's estimates of recoverable amount are based on numerous assumptions. Those estimates may differ from actual values, and the differences may be significant and could have a material impact on the Company's financial position and results of operations. Assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

Identification of CGUs

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, shares infrastructures, and the way in which management monitors the Company's operations.

Valuation of tax credits and credits on duties

The Company is entitled to tax credits and credits on duties on qualified mining exploration expenses incurred in the province of Québec. Management's judgement is applied in determining whether the mining exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates it has reasonable assurance that the tax credits will be realized.

6. Critical accounting estimates, judgments and assumptions – Cont'd

Estimates

Estimate of the fair value of share options, warrants and the volatility of the shares

The fair value of each option and warrant granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the share options and warrants at the grant date is based on the legal life of the share options and warrants and the historical exercise pattern of option and warrant holders. Management also estimates the expected forfeitures in calculating the fair value of each option. The expected volatility used to calculate the grant date fair value estimated taking into account the historical volatility of the Company's share price over the expected term of the options granted. Historical volatility is revised whenever facts and circumstances indicate that the historical volatility is no longer appropriate. Such facts and circumstances include but are not limited to the Company entering a new phase of mining activity, the development of new technologies, changes to the financial position of the Company, and when the spread between market participants volatility data, derived from the calculation of the fair value of financial instruments and equity instruments issued by the Company, is significant. If management estimates that historical volatility requires an adjustment, the Company also takes into consideration the historical volatility of comparable companies at similar stages of development as the Company as well as the volatility estimates derived from the fair value calculation of financial instruments and equity instruments in periods when this information is available.

Useful lives of property

The Company estimates the useful life of property based on the period over which the assets are expected to be available for use. The estimated useful life of property is reviewed periodically and is updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful life of property is based on management's experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property would increase the recorded expenses and decrease the non-current assets. Useful life, depreciation rates and residual values are reviewed at least annually as required by IFRS.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from an audit by taxation authorities, Where the financial outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in such determination is made.

(audited, in Canadian dollars)

7. Property and equipment

	Building	Land	Computer	Total
	$	$	$	$
2019				
Cost:				
Balance at January 1	**41,712**	**25,351**	**1,550**	**68,613**
Balance at December 31	**41,712**	**25,351**	**1,550**	**68,613**
Accumulated Depreciation:				
Balance at January 1	**(13,260)**	**-**	**(899)**	**(14,159)**
Additions	**(1,138)**	**-**	**(261)**	**(1,399)**
Balance at December 31	**(14,398)**	**-**	**(1,160)**	**(15,558)**
Net book value	**27,314**	**25,351**	**390**	**53,055**
2018				
Cost:				
Balance at January 1	41,712	25,351	1,550	68,613
Balance at December 31	41,712	25,351	1,550	68,613
Accumulated Depreciation:				
Balance at January 1	(12,075)	-	(465)	(12,540)
Additions	(1,185)	-	(434)	(1,619)
Balance at December 31	(13,260)	-	(899)	(14,159)
Net book value	28,452	25,351	651	54,454

The building represents a warehouse at Ste-Justine, Quebec, for exploration site storage.

8. Accounts payable and accrued liabilities

	2019	2018
	$	$
Trade payable	**132,608**	388,243
Accruals	**327**	1,130
	132,935	389,373

(audited, in Canadian dollars)

9. Share capital

Authorized: An unlimited number common shares, without par value :

Changes in Company capital share were as follows:

	2019		2018	
	Number	**Amount** **$**	Number	Amount $
Balance, beginning of year	**13,644,338**	**28,193,334**	13,644,338	28,193,334
Share issuance with warrants (1)(2)	**11,275,000**	**951,053**	-	-
Share issuance in consideration of exploration and evaluation expenditures (3)(4)	**1,500,000**	**327,500**	-	-
Warrants exercised (5)	**2,630,000**	**400,056**	-	-
Share issue costs	**-**	**(49,092)**	-	-
Balance, end of year	**29,049,338**	**29,822,851**	13,644,338	28,193,334

(1) On June 10, 2019, the Company issued 6,200,000 units at a price of $0.06 per unit, for gross proceeds of $372,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles its holder to purchase one common share of the Company at $0.12 for a 36-month period. An amount of $199,098 was recorded as an increase to warrants.

(2) On December 20, 2019, the Company issued 5,075,000 units at a price of $0.20 per unit, for gross proceeds of $1,015,000. Each unit consists of one common share and one half share purchase warrant. Each warrant entitles its holder to purchase one common share of the Company at $0.30 for a 24-month period. An amount of $236,849 was recorded as an increase to warrants.

(3) On October 16, 2019 the Company issued 500,000 common shares pursuant to the Eureka Property Agreement. The total fair value of the common shares issued was $87,500 (Note 10). The securities issued under this Agreement are restricted from trading until February 17, 2020.

(4) On October 29, 2019 the Company issued 1,000,000 common shares pursuant to the R-14 Property Agreement. The total fair value of the common shares issued was $240,000 (Note 10). The securities issued under this Agreement are restricted from trading until March 2, 2020.

(5) During the year period ended December 31, 2019, the Company received $315,600 following the exercise of 2,630,000 warrants at a price of $0.12 each, in addition to the $84,856 amount initially recorded and transferred**.**

(audited, in Canadian dollars)

9. Share capital – Cont'd

Warrants issued and outstanding

Changes in share purchase warrants were as follows:

	2019		2018	
	Number of warrants	**Weighted Average Exercise Price**	Number of warrants	Weighted Average Exercise Price
Balance, beginning of year	**-**	**-**	5,978,719	0.34
Issued [(1)(2)]	**8,737,500**	0.17	-	-
Warrants exercised	**(2,630,000)**	0.12	-	-
Expired unexercised	**-**	-	(5,978,719)	0.34
Balance, end of year	**6,107,500**	0.19	-	-

(1) On June 10, 2019, the Company issued 6,200,000 warrants as part of the private placement on that day. Each warrant entitles its holder to purchase one common share of the Company at $0.12. The fair value of the warrants was $199,098, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 1.42%, average expected life of 36 months, expected volatility of 177% and no expected dividends.

(2) On December 20, 2019, the Company issued 2,537,500 warrants as part of the private placement on that day. Each warrant entitles its holder to purchase one common share of the Company at $0.30. The fair value of the warrants was $236,849, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 1.65%, average expected life of 24 months, expected volatility of 94% and no expected dividends.

At December 31, 2019, the following exercisable warrants were outstanding:

Warrants	**Price**	**Expiry**
2,537,500	0.30	December 20, 2021
3,570,000	0.12	June 10, 2022
6,107,500	0.19	

(audited, in Canadian dollars)

9. Share capital – Cont'd

Broker warrants issued and outstanding

Changes in broker warrants were as follows:

	2019		2018	
	Number of broker warrants	**Weighted Average Exercise Price**	Number of broker warrants	Weighted Average Exercise Price
Balance, beginning of year	**-**	**-**	-	-
Issued (1)	**80,000**	0.20	-	-
Balance, end of year	**80,000**	0.20	-	-

(1) On December 20, 2019, the Company issued 80,000 broker warrants as part of the private placement on that day. Each warrant entitles its holder to purchase one common share of the Company at $0.20. The fair value of the warrants was $9,270, based on the Black-Scholes option pricing model with the following assumptions: average risk-free rate of 1.65%, average expected life of 24 months, expected volatility of 94% and no expected dividends.

At December 31, 2019, the following exercisable broker warrants were outstanding:

Broker warrants	**Price**	**Expiry**
80,000	0.20	December 20, 2021
80,000	0.20	

Share-based compensation

A summary of the status of the Company's stock option plan as of December 31 is as follows:

	2019		2018	
	Number of options	**Weighted Average Exercise Price**	Number of options	Weighted Average Exercise Price
Balance, beginning of year	**1,050,000**	**0.35**	1,040,000	0.41
Issued (1)(2)(3)	**925,000**	**0.11**	100,000	0.12
Expired unexercised	**(160,000)**	**0.34**	(90,000)	0.68
Balance, end of year	**1,815,000**	**0.24**	1,050,000	0.35

(1) On July 3, 2019, the Company granted 725,000 stock options to directors and officers at an exercise price of $0.11 per common share expiring July 4, 2024. The fair value of these options was $64,166 based on the Black-Scholes option pricing model all vesting immediately and based on the following assumptions: risk-free rate of 1,41%, life of 5 years, expected volatility of 114% and no expected dividends.

(audited, in Canadian dollars)

9. Share capital – Cont'd

Share-based compensation – Cont'd

(2) On July 8, 2019, the Company granted 200,000 stock options to an officer at an exercise price of $0.13 per common share expiring July 8, 2024. The fair value of these options was $22,753 based on the Black-Scholes option pricing model all vesting immediately and based on the following assumptions: risk-free rate of 1,57%, life of 5 years, expected volatility of 114% and no expected dividends.

(3) On February 6, 2018, the Company granted 100,000 stock options to a director at an exercise price of $0.12 per common share expiring February 6, 2023. The fair value of these options was $7,435 based on the Black-Scholes option pricing model all vesting immediately and based on the following assumptions: risk-free rate of 2,11%, life of 5 years, expected volatility of 142% and no expected dividends.

At December 31, 2019, the following exercisable stock options were outstanding:

Options	Exercisable	Price	Expiry
335,000	335,000	0.50	July 10, 2020
455,000	455,000	0.32	September 8, 2021
100,000	100,000	0.12	February 6, 2023
725,000	725,000	0.11	July 4, 2024
200,000	200,000	0.13	July 8, 2024
1,815,000	1,815,000		

10. Accumulated Expenditures on Mining properties

	Bellechase $	Julian $	R-14 $	Eureka $	Total $
Balance, December 31, 2018	**20,122,689**	**224,581**	**-**	**-**	**20,347,270**
Addition	**19,435**	**-**	**335,875**	**297,068**	**651,478**
Mining Duties	**(4,365)**	**-**	**(29,270)**	**-**	**(33,635)**
Write-off	**-**	**(224,581)**	**-**	**-**	**(224,581)**
Change during the year	**15,070**	**(224,581)**	**306,605**	**296,168**	**393,262**
Balance, December 31, 2019	**20,137,759**	**-**	**306,605**	**296,168**	**20,740,532**

	Bellechase $	Julian $	R-14 $	Eureka $	Total $
Balance, December 31, 2017	20,124,641	224,581	-	-	20,349,222
Addition	(2,006)	-	-	-	(2,066)
Mining Duties	54	-	-	-	54
Change during the year	(1,952)	-	-	-	(1,952)
Balance, December 31, 2018	20,122,689	224,581	-	-	20,347,270

(audited, in Canadian dollars)

10. Accumulated Expenditures on Mining properties – Cont'd

Bellechasse Property

On April 9, 2014, the Company signed a Definitive Option and Joint Venture Agreement ("DOJV") with Uragold Bay Resources Inc. ("UBR"). The ultimate goal of the Agreement was the exploitation and operation as a going concern of a mine on the Bellechasse-Timmins gold deposit with each party holding a 50% undivided interest in the net proceeds stemming from the exploitation and operation of the deposit.

The option agreement replaced the DOJV which was terminated, HPQ withdrew a legal action and each party has released the other from any claim, right or obligation relating to the DOJV.

On July 17, 2017, HPQ decided to not proceed with the option agreement in relation to the Bellechasse-Timmins. The Company now owns 100% of the Property subject to residual royalty interests.

The property now consists of approximately 137 (2018 – 137) claims for a total of 4,989 (2018 – 4,989) hectares.

Julian Property

On July 2, 2015, the Company acquired from Michael Dehn (a director of the Company at the time) and two prospectors a 100% right, title and interest in 16 claims (861 hectares) located in the Bellechasse/Beauce Region of southeastern Quebec. Under the Agreement, the Company paid $1,000 in cash and issued 500,000 of the Company's common shares (valued at $210,000 based on the price on September 17, 2015 when the shares were issued).

This property was written-off during the year.

Delta 2 / R-14 Property

On October 17, 2019, the Company announced the signing of an exclusive agreement to acquire a 100% interest in the R-14 Gold Property in the Chibougamau Mining District of Quebec.

The terms of the agreement are as follows:

Anniversary Date	Cash Payment	Share Payment	Work Commitment
On signing	$0	1,000,000	n.a.
12 months	$25,000	800,000	$0
24 months	$50,000	800,000	$300,000
36 months	$100,000	700,000	$700,000

- The vendor holds a 2.0% NSR Royalty on the claims (except on the 41 legacy claims listed below). Delta may buy back 1.0% at any time for $1,000,000.
- 41 legacy claims are subject to a 1.5% NSR Royalty. Delta has the option to purchase 0.75% of this NSR for $500,000.

The property now consists of 237 contiguous mining claims covering a total area of 12,650 hectares.

(audited, in Canadian dollars)

10. Accumulated Expenditures on Mining properties – Cont'd

Delta-1 / Eureka Property

On October 3, 2019 the Company announced the signing of an exclusive agreement to acquire a 100% interest in the new Eureka gold Discovery in the Thunder Bay Mining District of Ontario.

The terms of the agreement are as follows:

Anniversary Date	Cash Payment	Share Payment	Work Commitment
On signing	$25,000	500,000	n.a.
12 months	$25,000	500,000	$200,000
24 months	$50,000	$50,000*	$500,000
36 months	$75,000	$50,000*	$1,000,000
48 months	$150,000	n.a.	

*Amount payable in shares to a maximum of 500,000 shares

- The vendor holds a 1.75% NSR Royalty on the claims. Delta may buy back the first 0.75% at any time for seven years after the effective date of the agreement for $500,000 and the remaining 1% Royalty at any time after the first 0.75% is purchased for $4,000,000.

- Five legacy claims of the property are also subject to NSR Royalties ranging from 0.5% to 1% from an underlying agreement. Delta has the option to purchase 50% of this NSR for the sum of $50,000.

- The agreement also includes advanced royalty payments starting 7 years after the effective date of the agreement.

In December 2019, the Company signed an agreement with the Ontario Exploration Corporation (**the "OEC"**) to buy back a NSR of up to 1% on its Eureka property in the Thunder Bay District, Ontario. Under the terms of the agreement, Delta now has the exclusive right to purchase 50% of the OEC NSR at Eureka by paying the OEC the sum of $50,000 payable as follows:

- Payment of $15,000 before December 31, 2019 (already paid);
- Payment of $35,000 before May 31st, 2021.

Once Delta exercises its right to buyback the first 50% of the OEC NSR, Delta shall have the right to purchase the second 50% tranche at anytime by paying the OEC an additional $50,000. Following the purchase of the second 50% tranche, Delta will have purchased the entire NSR Royalty currently owned by the OEC on the Eureka Property.

The OEC currently owns between 0.5% and 1.0% NSR royalty on certain claims of the Eureka property. More specifically, the OEC owns a 1.0% NSR on the claims covering the Eureka Gold prospect, Matawin and Kaspar gold occurrences and a 0.5% NSR on the claims surrounding the Kaspar occurrence.

The property now consists of 245 contiguous unpatented mining claims covering a total area of 4,495 hectares

(audited, in Canadian dollars)

11. Income taxes

a) Provision for income tax reconciliation

The recovery of income taxes attributable to the loss before taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.6% (2018- 26.7%) as a result of the following:

	2019 **$**	2018 $
Loss before income taxes	**(809,813)**	(251,116)
Combined federal and provincial tax rates	**26.6%**	26.7%
Computed income tax recovery	**(215,410)**	(67,048)
Share-based compensation	**23,210**	1,985
Change in tax rate and other items	**(11,502)**	1,545
Deferred tax asset not recognized	**203,792**	63,518
	-	-

The statutory tax rate declined from 26.7% in 2018 to 26.6% in 2019 due to a reduction in the Quebec corporate tax rate on January 1, 2019.

b) Unrecognized deductible temporary differences consist of the following:

	2019 **$**	2018 $
Exploration and evaluation assets	**8,677,951**	8,055,618
Property and equipment	**15,558**	14,159
Non-capital losses carried-forward	**9,092,783**	8,962,037
Share issuance and finance costs	**78,456**	62,187
Deferred tax asset not recognized	**17,864,748**	17,094,001

(audited, in Canadian dollars)

11. Income taxes – Cont'd

At December 31, 2019, the Corporation had non-capital loss carry forwards available to reduce future years' income for tax purposes. The non-capital losses will expire as follows:

	Federal $	Provincial $
2027	679,921	679,921
2028	843,193	843,193
2029	868,387	701,458
2030	1,316,077	1,186,075
2031	1,180,423	1,169,772
2032	1,193,612	1,189,683
2033	707,448	706,030
2034	384,781	382,802
2035	279,164	275,566
2036	609,446	604,965
2037	472,109	469,443
2038	265,070	269,106
2039	293,152	293,152
Total	9,092,783	8,763,166

As at December 31, 2019, the Company has Pre-Production Mining income tax credits in the amount of $22,973. These credits can be used against Canadian federal income taxes payable and expire in the years 2032 to 2037.

12. Complementary information related to cash flows

Net change in non-cash operating working capital items:

	2019 **$**	2018 $
Sales tax receivable	**(42,623)**	9,389
Prepaid expenses	**(65,045)**	659
Other assets	**-**	22,949
Accounts payable and accrued liabilities	**(94,032)**	162,727
	(201,700)	195,724

Items not affecting cash:

	2019 **$**	2018 $
Share issuance in consideration of exploration and evaluation expenditures	**327,500**	-
Share issue costs	**9,270**	-
Gain on extinguishement of financial liability	**162,406**	-

(audited, in Canadian dollars)

13. Related party transactions

During the year ended December 31, 2019, the Company didn't incur management fees (2018 - $60,000), to 9132-8757 Quebec Inc., a company owned by Frank Candido, the former President (now Chairman) of the Company. In relation with these transactions no amount was payable as at December 31, 2019 (2018 - $91,980).

During the year ended December 31, 2019, the Company didn't incur management fees (2018 - reversal of $105,000 of management fees that had been accrued which has been included in "Gain on extinguishment of debt' in the Statement of Comprehensive Loss" in 2019), to Avanti Management & Consulting Limited, a company owned by Michael Dehn, a former Director of the Company.

During the year ended December 31, 2019, the Company incurred professional fees in the amount of $26,500 (2018 - $20,862), to Nathalie Laurin, the Chief Financial Officer of the Company. In relation with these transactions, $862 was payable as at December 31, 2019 (2018 - $1,130).

During the year ended December 31, 2019, the Company incurred professional fees in the amount of $6,376 and exploration and evaluation expenditures in the amount of $63,619, to 7529449 Canada Inc., a company owned by Michel Chapdelaine, the Vice President Exploration and Chief Operating Officer of the Company. In relation with these transactions, $32,043 was payable as at December 31, 2019.

	2019 **$**	**2018** **$**
Salaries and fringe benefits	50,649	-
Compensation and share-based payments	86,619	7,435
	137,268	7,435

14. Commitments

In September 2019, the Company signed a lease contract for its Chibougamau office, expiring in September 2020. Minimum payments, totaling $12,600, are solely comprised of payments to be made over the next 12 months.

Under rules established by the Ministère de l'Énergie et Ressources naturelles of the province of Québec, the Company is required to spend the amount of approximately $11,855 maintain the claims on the properties in 2020, respectively.

In addition, the Company has the following royalty commitments resulting from past transactions:

- Net profit royalty of 5% on net profits greater than $250,000 for 4 claims acquired from La Société Minière Colmo.
- Net smelter royalty of 2% for 26 claims acquired from a prospector in 2010.

15. Fair value

For certain of the Company's financial instruments, including cash, accounts receivable and other and accounts payable and accrued liabilities, their carrying amounts approximate fair value due to their immediate or short-term maturity.

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 of 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.

Cash has been measured using level 1 inputs

16. Capital management

The Company defines capital as shareholders' equity. The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and
- utilize short term funding sources to manage its working capital requirements.

The Company has no externally imposed restrictions on capital.

17. Loss per share

(a) Basic loss per share
Basic loss per share is computed by dividing net loss for a period by the weighted average number of common shares outstanding during that period.

(b) Diluted loss per share
Diluted loss per share is computed by dividing net loss for a period by the diluted number of common shares. Diluted common shares includes the effects of instruments, such share options and warrants, which could cause the number of common shares outstanding to increase.

The Company reported a comprehensive loss for the years ended December 31, 2019 and 2018; the Company has accordingly presented basic and diluted loss per share, which are the same, on a single line in the statements of loss and comprehensive loss. Diluted loss per share did not include the effect of share purchase options and warrants as they were anti-dilutive.

18. Financial instruments

a) Credit risk arises from cash which are composed of deposits with Canadian financial institutions. Further, the Company limits its credit risk to any individual counterparty. The Company's sales tax receivable consists primarily of Good and Service tax due from the Federal Government of Canada, Quebec sales tax and tax credits receivable due from the Ministry of Revenue of Quebec for current claims.

b) Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of three types of risk:

   i) Interest rate risk arises because of changes in market interest rates. The Company's cash are subject to minimal risk in changes in value, have an original maturity of 90 days or less from the date of purchase, and are readily convertible into cash.

   ii) Currency risk arises because of changes in foreign exchange rates. The Company is not exposed to such risk.

   iii) Price risk - the Company will be exposed to price risk with respect to commodity prices, specifically gold. Any future significant price declines could cause continued exploration and development to become uneconomical.

c) Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company’s ability to continue as a going concern is dependent on management’s ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Transaction costs associated with fair value through profit or loss financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and other financial liabilities are included in the initial carrying amount of the asset or the liability.

Sensitivity analysis

Financial instruments included in tax credits and credits on duties receivable and other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at June 30, 2019, the carrying value of the Company’s financial instruments approximated their fair value. Based on management’s knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

19. Subsequent events

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide 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. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating in future periods.

19. Subsquent events – Cont'd

In January, 2020 the Company announced that it has signed a Letter of Intent ("LOI") with Yorkton Ventures Inc. ("Yorkton") for the sale of its interest in the Bellechasse-Timmins property (the "Property") and associated claims in southeastern Quebec for $1,700,000 subject to a 60 day due diligence period (the "Due Diligence Period").

The agreement is subject to Yorkton completing a legal, technical and environmental due diligence on the Property. If the due diligence is not satisfactory to Yorkton at its sole discretion, they shall have the right to terminate the LOI.

Proposed Terms of the Agreement:

To acquire a 100% interest in the Property, Yorkton will:

- Make a $100,000 cash payment within 10 days of signing of a definitive agreement,
- Make a $250,000 cash payment within 90 days after signing of a definitive agreement,
- Make a $350,000 cash payment within 180 days after signing of a definitive agreement,
- Make a $450,000 cash payment within 270 days after signing of a definitive agreement
- Make a $550,000 cash payment within 360 days after signing of a definitive agreement

Yorkton will also commit to paying Delta a gold royalty of I% NSR on any and all commercial production of gold. Yorkton may re-purchase 0.5% of the NSR for $1 Million at anytime.

In January 2020, Delta has retained MI3 Communications Financières Inc. ("MI3") to provide communication services on behalf of the Company in Eastern Canada. These services include, but are not limited to, communication of all news releases and information on the Company, including technical notes, posting on social medias, and assisting the Company at PR roadshows across 14 cities in eastern Canada. The agreement is for a period of 12 months and as consideration for these services, the Company has agreed to pay $36,000 to MI3 in a single payment.

In February 2020, Delta has acquired a total of 14 new claims contiguous to the Delta-2 / R-14 property, covering approximately 880 hectares. The terms of the agreement with Multi-Resources Boreal include a one-time payment of $5,000.00 and the issuance of 50,000 shares for a 100% interest in the claims. Delta also grants a 2% NSR to Multi-Resources Boreal with an option for Delta to buy back a 1% NSR at anytime for $1,000,000.

Also, in February 2020, Delta announced the appointment of Frank Candido as its Vice-President of Corporate Communications in addition to his position as Chairman of the Board at Delta Resources.