



**Blue Moon Metals Inc.**  
**(formerly Blue Moon Zinc Corp.)**

**Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Blue Moon Metals Inc. (formerly Blue Moon Zinc Corp.)

### *Opinion*

We have audited the accompanying consolidated financial statements of Blue Moon Metals Inc. (formerly Blue Moon Zinc Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, 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, 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 Consolidated Financial Statements***

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

In preparing the consolidated 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 Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

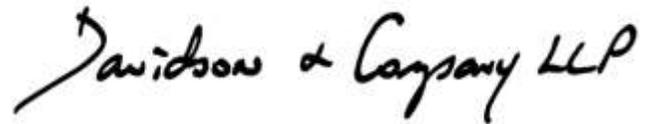
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Alyson Neil.

A handwritten signature in black ink that reads "Davidson & Coysany LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 28, 2021

**Blue Moon Metals Inc.**  
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(Expressed in Canadian dollars)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
	Note		
Cash		267,015	95,927
Receivables	13b	4,175	2,025
Prepaid expenses		5,000	3,420
Restricted cash	13b	13,864	13,864
<b>CURRENT ASSETS</b>		<b>290,054</b>	<b>115,236</b>
Mineral property interests	4	698,007	668,952
<b>ASSETS</b>		<b>988,061</b>	<b>784,188</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		98,507	65,927
Due to related parties	8	460,629	442,509
<b>LIABILITIES</b>		<b>559,136</b>	<b>508,436</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	10,279,967	9,945,688
Contributed surplus		1,157,245	1,075,014
Deficit		(11,008,287)	(10,744,950)
<b>SHAREHOLDERS' EQUITY</b>		<b>428,925</b>	<b>275,752</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>988,061</b>	<b>784,188</b>
Nature of operations and going concern	1		
Subsequent event	14		

**Approved by the Board of Directors**

Douglas Urch (signed) Director

Patrick McGrath (signed) Director

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**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the years ended December 31,	Note	2020 \$	2019 \$
General exploration expenses	4d	14,839	22,291
Filing and regulatory fees		19,479	17,649
General administrative costs		4,458	10,880
Professional fees		24,749	45,588
Share-based payments	7	39,283	7,936
Shareholder communication and travel		32,885	14,769
Consulting fees	8	72,000	109,000
Foreign exchange loss (gain)		838	(373)
Interest expense	8	30,600	29,413
Loss on debt settlement	5c, 8	24,206	-
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>263,337</b>	<b>257,153</b>
Basic and diluted loss per common share		\$0.00	\$0.00
Weighted average number of common shares outstanding – basic and diluted		111,821,450	104,125,502

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31,	Note	2020	2019
Cash flows provided by (used in)		\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss and comprehensive loss		(263,337)	(257,153)
Items not affecting cash			
Share-based payments		39,283	7,936
Interest expense		30,600	29,413
Loss on debt settlement		24,206	-
Change in non-cash working capital items	10	72,850	(59,272)
<b>OPERATING ACTIVITIES</b>		<b>(96,398)</b>	<b>(279,076)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of securities	5b	300,634	300,000
Issuance costs	5b	(3,311)	(3,450)
Loan from related party	8	-	56,000
Debt settlement costs	5c	(782)	(600)
<b>FINANCING ACTIVITIES</b>		<b>296,541</b>	<b>351,950</b>
<b>INVESTING ACTIVITIES</b>			
Buyback Net Smelter Royalty	4c	(29,055)	-
<b>INVESTING ACTIVITIES</b>		<b>(29,055)</b>	<b>-</b>
<b>CHANGE IN CASH</b>		<b>171,088</b>	<b>72,874</b>
Cash – Beginning		95,927	23,053
<b>CASH - ENDING</b>		<b>267,015</b>	<b>95,927</b>

Supplemental cash flow information (Note 10)

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**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
<b>DECEMBER 31, 2018</b>		<b>102,950,707</b>	<b>9,629,738</b>	<b>1,067,078</b>	<b>(10,487,797)</b>	<b>209,019</b>
Private placement	5b	6,000,000	300,000	-	-	300,000
Private placement issuance costs	5b	-	(3,450)	-	-	(3,450)
Shares issued in debt settlement	5c	400,000	20,000	-	-	20,000
Debt settlement costs	5c	-	(600)	-	-	(600)
Share-based payments	7	-	-	7,936	-	7,936
Loss and comprehensive loss		-	-	-	(257,153)	(257,153)
<b>DECEMBER 31, 2019</b>		<b>109,350,707</b>	<b>9,945,688</b>	<b>1,075,014</b>	<b>(10,744,950)</b>	<b>275,752</b>
Private placement	5b	8,589,557	257,686	42,948	-	300,634
Private placement issuance costs	5b	-	(3,311)	-	-	(3,311)
Shares issued in debt settlement	5c	1,613,714	80,686	-	-	80,686
Share issuance costs	5c	-	(782)	-	-	(782)
Share-based payments	7	-	-	39,283	-	39,283
Loss and comprehensive loss		-	-	-	(263,337)	(263,337)
<b>DECEMBER 31, 2020</b>		<b>119,553,978</b>	<b>10,279,967</b>	<b>1,157,245</b>	<b>(11,008,287)</b>	<b>428,925</b>

**Blue Moon Metals Inc.**

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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(Expressed in Canadian dollars)

**1. NATURE OF OPERATIONS AND GOING CONCERN****a) Nature of operations**

Blue Moon Zinc Corp. (formerly Savant Explorations Ltd.) (together with its subsidiary, "Blue Moon" or the "Company") is a Canadian exploration stage company which is focused on the exploration and development of mineral resource properties. On July 5, 2017, the Company changed its name to Blue Moon Zinc Corp. and began trading under its new stock symbol "MOON". On April 13, 2021, the Company changed its name to Blue Moon Metals Inc.

**b) Going concern**

The nature of the Company's operations requires significant expenditures for the acquisition, exploration, and evaluation of mineral properties. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings. The Company will continue to require additional funding to maintain its ongoing exploration and evaluation programs, property maintenance payments, and operations.

While these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events result in a material uncertainty casting significant doubt on the validity of this assumption. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from equity transactions or through other arrangements. The Company has been successful in securing financing in the past, but there can be no assurance that it will be able to do so in the future.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumptions deemed to be inappropriate. These adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. The Company was not materially impacted by COVID-19 during the year ended December 31, 2020.

**2. BASIS OF PRESENTATION****a) Statement of Compliance and Basis of Measurement**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee. These consolidated financial statements have been prepared under the accrual basis of accounting and the historical cost convention, except for financial instruments measured at fair value and cash flow information.

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**2. BASIS OF PRESENTATION (CONTINUED)****a) Statement of Compliance and Basis of Measurement (continued)**

These financial statements were approved for issue by the Company's board of directors on April 28, 2021.

**b) Critical accounting judgments, estimates and assumptions**

## Critical Judgments

The preparation of these consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1(b).

## Estimations and assumptions

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

## i) Exploration and Evaluation Assets

The carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

## ii) Share-based Payments

The estimation of share-based payments includes estimating the inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in equity. Share-based payments expense and share-based share issuance costs are estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

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**2. BASIS OF PRESENTATION (CONTINUED)****b) Critical accounting judgments, estimates and assumptions (continued)**

## iii) Income Taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

**3. SIGNIFICANT ACCOUNTING POLICIES****Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its 100% controlled subsidiary Keystone Mines, Inc. ("Keystone"). During the year ended December 31, 2019, the Company abandoned its subsidiaries, Latina Resources Ltd. and Savant Explorations Mexico Ltd. as they have no assets or liabilities, and are dormant. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated.

**Functional currency and presentation currency**

These consolidated financial statements are presented in Canadian dollars (unless otherwise stated), which is the functional currency of the Company and its subsidiary.

**Financial instruments****Classification**

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified as and measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

**Measurement**Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

**Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

**Financial assets at amortized cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

**Mineral property interests and exploration expenditures**

All direct costs related to the acquisition of exploration and evaluation assets are capitalized upon acquiring the legal right to explore a property. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to profit or loss as incurred.

In accordance with IAS 36 – Impairment of Assets, upon transition to the development stage the Company is required to assess the recoverable amount of development assets against its carrying amount.

Exploration and evaluation costs are expensed as incurred while the Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of assets**

At the end of each reporting period, the Company reviews the carrying amounts of its mineral property interests to determine whether there is an indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated in order to determine the extent of the impairment charge (in any).

The recoverable amount used for this purpose is the higher of the 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 or CGU. For an asset that does not generate largely independent cash flows, the amount is determined for the CGU to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its recorded amount, the recorded amount of the asset or CGU is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

**Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

**Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Provisions (continued)**

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

**Environmental expenditures**

The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those relating to future reclamation and site restoration. The likelihood of new regulations and their overall effect upon the Company are unknown and unpredictable. The Company plans to meet and, if possible, surpass standards set by legislation, by applying technically proven and economically feasible measures.

Environmental expenditures relating to ongoing environmental and reclamation programs are charged to operations, or are capitalized and amortized, depending on their future economic benefits, over the estimated remaining life of the related business operation, net of expected recoveries. Liabilities related to environmental protection and reclamation costs are recognized when the obligation is incurred and the fair value of the related costs can be reasonably estimated. This includes future removal and site restoration costs required by environmental law or contracts.

As at December 31, 2020 and 2019, the Company has no environmental liabilities.

**Share-based payments**

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed surplus to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest.

The fair value of the options granted is measured using the Black-Scholes Option Pricing Model which takes into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Income taxes**

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed by providing for temporary differences between the carrying amounts of assets and liabilities on the consolidated statements of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each consolidated statement of financial position date. Deferred tax assets also result from unused losses and other deductions carried forward. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as the outstanding stock options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The Company's outstanding stock options and warrants could potentially dilute basic loss per share in the future but were not included in the calculation of diluted loss per share because they are antidilutive for the years ended December 31, 2020 and 2019.

**New accounting policies adopted**

The following amended IFRS pronouncements were adopted effective January 1, 2020:

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Estimates and Errors

On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments clarify the definition of 'material' and aligns the definition used within the IFRS standards. The effective date of the amendment is for annual periods beginning on or after January 1, 2020 and is to be applied prospectively. The Company adopted the pronouncements effective January 1, 2020 and determined they had no impact on its financial statements.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****New standards not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2021. The following have not yet been adopted by the Company.

IFRS 17, Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, Insurance Contracts, and related interpretations.

**4. MINERAL PROPERTY INTERESTS****a) Blue Moon (California, USA)**

The Blue Moon zinc property comprises of patented and unpatented lode mineral claims totaling 445 acres in Mariposa County, California. The claims are subject to a 0.5% Net Smelter Royalty ("NSR") capped at US\$500,000, payable to a third party. Certain claims not subject to the NI 43-101 resource estimate are subject to a 3% NSR royalty capped at US\$200,000 payable to an additional third party.

On October 24, 2019, the Company entered into a strategic joint venture agreement where Platina Resources Limited ("Platina") could earn up to a 70% interest in the Blue Moon project. On December 1, 2020, Platina withdrew from the agreement before having earned an interest in the Blue Moon project.

**b) Yava (Nunavut, Canada)**

The Yava base metals property is located in Nunavut and consists of two mineral leases totaling 1,280 hectares. The mineral leases are subject to a 10% net profit interest ("NPI") royalty which the Company has the right to purchase for \$1,500,000. The Yava property is carried at \$nil.

**c) Mineral property costs**

	Blue Moon \$
December 31, 2018 and 2019	668,952
Buyback Net Smelter Royalty	29,055
<b>DECEMBER 31, 2020</b>	<b>698,007</b>

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On September 2, 2020, the Company agreed to buyback a 2% Net Smelter Return ("NSR") on the Company's Blue Moon property. The NSRs were originally issued to the two founding prospectors of the project. The NSR holders were paid \$29,055 in return for the buyback.

**d) General exploration expenses**

For the year ended December 31,	2020	2019
	\$	\$
Claims costs	9,332	11,474
Camp operations	318	8,598
Prospecting and geology	5,189	2,219
<b>TOTAL</b>	<b>14,839</b>	<b>22,291</b>

**5. SHARE CAPITAL****a) Authorized share capital**

Authorized share capital consists of an unlimited number of common shares without par value, unlimited Class "A" preferred shares with par value of \$10 per share, and unlimited Class "B" preferred shares without par value. No preferred shares have been issued.

**b) Financing**

On October 6, 2020, the Company issued 8,589,557 units at a price of \$0.035 per unit (the "Unit") for gross proceeds of \$300,634 with each Unit consisting of one common share and one-half common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to acquire one common share at a price of \$0.07 per share until October 1, 2022. A value of \$42,948 was attributed to the Warrants. The Company incurred share issuance costs of \$3,311.

On October 24, 2019, the Company issued 6,000,000 common shares at a fair value of \$0.05 per share for gross proceeds of \$300,000. The Company incurred share issuance costs of \$3,450.

**c) Debt Settlement**

On October 16, 2020, the Company entered into a debt settlement agreement with a director of the Company whereby the Company issued 1,613,714 shares with a fair value of \$80,686 to settle an outstanding debt of \$56,480. A loss of \$24,206 was recognized on the transaction. The Company incurred \$782 in share issuance costs.

On November 28, 2019, the Company entered into a debt settlement agreement with a former officer and director whereby the Company issued 400,000 common shares at a fair value of \$20,000 to the creditor to settle an outstanding debt of \$20,000. The Company incurred \$600 in debt settlement costs.

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**6. WARRANTS AND STOCK OPTIONS****a) Warrants**

A summary of the Company's warrants outstanding, including changes for the years then ended, is presented below.

	Number of Warrants	Weighted average exercise price \$
DECEMBER 31, 2018 and 2019	5,200,000	0.15
Expired	(5,200,000)	0.15
Issued	4,294,779	0.07
<b>DECEMBER 31, 2020</b>	<b>4,294,779</b>	<b>0.07</b>

**b) Stock options**

The Company has a stock option plan that permits the grant of stock options for the purchase of up to 10% of the issued and outstanding common shares of the Company to directors, officers, employees, and consultants. Options are exercisable for a maximum of 10 years. Terms, pricing and vesting of stock options are determined in accordance with the stock option plan as approved by the Board of Directors.

A summary of the Company's stock activity is presented below:

	Number of Stock options	Weighted average exercise price \$
DECEMBER 31, 2018 and 2019	4,300,000	0.08
Granted	3,650,000	0.05
Cancelled	(550,000)	0.11
<b>DECEMBER 31, 2020</b>	<b>7,400,000</b>	<b>0.06</b>

Stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Stock options outstanding	Average remaining contractual life (years)	Number of stock options exercisable
June 26, 2022	\$0.07	3,750,000	1.48	3,750,000
September 30, 2025	\$0.05	3,650,000	4.75	912,500
<b>DECEMBER 31, 2020</b>		<b>7,400,000</b>	<b>3.10</b>	<b>4,662,500</b>

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**7. SHARE-BASED PAYMENTS**

The following is a summary of the most recent stock options granted by the Company and the fair value of each grant. The fair value was calculated using the Black-Scholes option pricing model and the following inputs and assumptions:

Inputs and assumptions	October 6, 2020
Stock options granted	3,650,000
Exercise price	\$0.05
Market price	\$0.03
Expected life of options (years)	5
Expected stock price volatility	112%
Average risk-free interest rate	0.35%
Expected forfeiture rate	-
Expected dividend yield	-
Fair value per option granted	\$0.22
<b>FAIR VALUE</b>	<b>\$80,253</b>

During the year ended December 31, 2020, the Company recorded \$39,283 (2019 - \$7,936) of share-based payments as a result of stock options granted and vested.

**8. RELATED PARTY TRANSACTIONS****Management Compensation**

The Company's related parties include its directors and officers, who are the key management of the Company. The remuneration of directors and officers during the years presented was as follows:

For the year ended December 31,	2020	2019
	\$	\$
Consulting fees	72,000	106,000
Share-based payments	24,215	7,253
<b>MANAGEMENT COMPENSATION</b>	<b>96,215</b>	<b>113,253</b>

As at December 31, 2020, due to related parties included \$147,000 (December 31, 2019 - \$103,000) due to officers of the Company. \$10,146 due to an officer of the Company is also included in accounts payable. These amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

On November 2, 2018, the Company entered into a loan agreement with a director of the Company for the amount of \$250,000. The Company was loaned an additional \$15,000, \$35,000 and \$6,000 on January 9, 2019, March 21, 2019, and August 21, 2019, respectively, by the same director. The loans are unsecured and bear interest at 10% per annum. The principal value plus interest was originally payable on September 1, 2019, but was extended until September 30, 2021, with interest being paid quarterly. As at December 31, 2020, \$313,629 (2019 - \$339,509) was outstanding on the loan including \$7,629 of interest payable (2019 - \$33,509).

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**8. RELATED PARTY TRANSACTIONS (CONTINUED)**

On October 16, 2020, the Company entered into a debt settlement agreement whereby the Company issued 1,613,714 common shares with a fair value of \$80,686 to settle accrued interest of \$56,480. The Company recognized a loss of \$24,206 on the transaction.

**9. SEGMENTED INFORMATION**

The Company operates in one industry segment, the exploration and evaluation of mineral property interests, within two geographical areas, Canada and the United States. Non-current assets for each geographical area are:

	Canada	United States	Total
	\$	\$	\$
December 31, 2018 and 2019	-	668,952	668,952
<b>DECEMBER 31, 2020</b>	<b>-</b>	<b>698,007</b>	<b>698,007</b>

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

The changes in the Company's non-cash working capital items relating to operating activities for the years indicated below are as follows:

For the year ended December 31,	2020	2019
	\$	\$
Changes in receivables	(2,150)	19,518
Changes in prepaid expenses	(1,580)	5,705
Changes in accounts payable and accrued liabilities	32,580	(37,495)
Changes in due to related parties	44,000	(47,000)
<b>CHANGE IN NON-CASH WORKING CAPITAL</b>	<b>72,850</b>	<b>(59,272)</b>

Non-cash transactions:

For the year ended December 31,	2020	2019
	\$	\$
Shares issued in debt settlement	80,686	20,000
Valuation of warrants	42,948	-
<b>TOTAL NON-CASH TRANSACTIONS</b>	<b>123,634</b>	<b>20,000</b>

For the year ended December 31,	2020	2019
	\$	\$
Interest paid	-	-
Income taxes paid	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

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**11. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

For the year ended December 31,	2020	2019
	\$	\$
Loss for the year	(263,337)	(257,153)
Expected income tax (recovery)	(71,000)	(69,000)
Change in statutory, foreign tax, foreign exchange rates and other	200,000	52,000
Permanent differences	11,000	2,000
Share issuance costs	(1,000)	(1,000)
Adjustment to prior years provision versus statutory tax returns	-	240,000
Expiry of non-capital losses	227,000	167,000
Change in unrecognized deductible temporary differences	(366,000)	(391,000)
<b>TOTAL INCOME TAX EXPENSE (RECOVERY)</b>	<b>-</b>	<b>-</b>

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

For the year ended December 31,	2020	2019
	\$	\$
Deferred tax assets (liabilities)		
Mineral property interests	1,170,000	1,190,000
Property and equipment	1,000	1,000
Share issuance costs	3,000	4,000
Allowable capital losses	3,000	3,000
Non capital losses available for future periods	1,323,000	1,669,000
	2,500,000	2,867,000
Unrecognized deferred tax assets	(2,500,000)	(2,867,000)
<b>NET DEFERRED TAX ASSETS</b>	<b>-</b>	<b>-</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry	2019	Expiry
	\$		\$	
Mineral property interests	4,690,000	No expiry	4,349,000	No expiry
Property and equipment	3,000	No expiry	3,000	No expiry
Share issuance costs	13,000	No expiry	15,000	No expiry
Allowable capital losses	11,000	No expiry	11,000	No expiry
Non-capital losses available for future periods	4,929,000	2021 to 2040	6,123,000	2020 to 2039
Canada	4,803,000	2027 to 2040	4,588,000	2027 to 2039
USA	126,000	2021 to 2040	1,536,000	2020 to 2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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**12. CAPITAL MANAGEMENT**

The Company is a mineral exploration and development company focusing on advancing the Blue Moon and Yava properties. Its principal source of funds is the issuance of securities. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects. As at December 31, 2020, certain conditions and events cast significant doubt upon the Company's ability to continue as a going concern. Refer to note 1(b) for more information.

The Company manages its capital structure based on the funds available for its operations and makes adjustments for changes in economic conditions, capital markets and the risk characteristics of the underlying assets. To maintain its objectives, the Company may attempt to issue new shares, seek debt financing, acquire or dispose of assets or change the timing of its planned exploration and development projects. There is no assurance that these initiatives will be successful.

The Company monitors its cash position on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives.

There has been no change in the Company's capital management practices during the year. Blue Moon does not pay dividends. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

**13. FINANCIAL INSTRUMENT RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity and credit risks from the use of financial instruments. The carrying value of the Company's financial instruments consisting of cash, restricted cash, receivables, due to related parties, and accounts payable and accrued liabilities approximate fair value due to the short term nature of the instruments.

**a) Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to note 1(b) for more information regarding the Company's liquidity risk.

**b) Credit risk**

The Company is exposed to credit risk on its cash, restricted cash and receivables. To reduce credit risk, substantially all cash is on deposit at Canadian chartered banks. Receivables consist of Canadian Government Sales Tax ("GST") receivable and other amounts due from government agencies. Restricted cash are deposits held by the Bureau of Land Management ("BLM") in Nevada and California. As at December 31, 2020, receivables consisted of \$4,175 (December 31, 2019 - \$2,025) in GST receivable and restricted cash is comprised of bonds valued at \$13,864 (December 31, 2019 - \$13,864) held by the BLM. Accordingly, the Company considers its exposure to credit risk minimal.

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**13. FINANCIAL INSTRUMENT RISK (CONTINUED)****c) Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

**Interest rate risk**

The Company has cash balances which are not subject to significant risks in fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. An increase to interest rates by 1% would have an insignificant effect on the Company's operations.

**Foreign currency risk**

The Company is exposed to foreign currency risk on fluctuations related to cash, restricted cash, receivables, and accounts payable and accrued liabilities that are denominated in US dollars.

**Sensitivity Analysis**

The Company through a subsidiary operates in the United States and is exposed to exchange risk from changes in the US dollar. A 10% fluctuation in the US dollar against the Canadian dollar would have a minimal impact on the Company's loss and comprehensive loss.

**Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings, or ability to obtain equity financing, due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of zinc, copper, lead, silver, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**14. SUBSEQUENT EVENT**

On January 26, 2021, the Company completed a non-brokered private placement and issued 9,736,250 units (the "Units") at a price of \$0.08 per Unit with each Unit consisting of one common share and one common share purchase warrant (the "Warrant"). Each Warrant shall entitle the holder thereof to acquire one common share at a price of \$0.12 per share until July 25, 2023. The Company paid \$17,220 in finder's fees and issued 215,250 finder's warrants in connection with the private placement. Each finder's warrant is exercisable to acquire one common share at \$0.12 per share until July 25, 2023.