



Blue Moon Zinc Corp.

**Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2020**

(Unaudited – prepared by management)
(Expressed in Canadian dollars)

NOTICE TO READER:

These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management. This notice is being provided in accordance with National Instrument 52-102 – Continuous Disclosure Obligations.

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Condensed Interim Consolidated Financial Statements
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | March 31, 2020 \$ | December 31, 2019 \$ |
|---|------|----------------------|-------------------------|
| ASSETS | | | |
| | Note | | |
| Cash | | 69,352 | 95,927 |
| Receivables | 9b | 2,461 | 2,025 |
| Prepaid expenses | | 1,985 | 3,420 |
| Restricted cash | 9b | 13,864 | 13,864 |
| CURRENT ASSETS | | 87,662 | 115,236 |
| Mineral property interests | 3 | 668,952 | 668,952 |
| ASSETS | | 756,614 | 784,188 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | | 56,679 | 65,927 |
| Due to related parties | 6 | 468,138 | 442,509 |
| LIABILITIES | | 524,817 | 508,436 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 4 | 9,945,688 | 9,945,688 |
| Contributed surplus | | 1,075,014 | 1,075,014 |
| Deficit | | (10,788,905) | (10,744,950) |
| SHAREHOLDERS' EQUITY | | 231,797 | 275,752 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | 756,614 | 784,188 |
| Nature of operations and going concern | 1 | | |

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 three months ended March 31,

| | Note | 2020 \$ | 2019 \$ |
|---|------|---------------|---------------|
| General exploration expenses | 3d | 6,569 | 12,860 |
| Filing and regulatory fees | | 6,801 | 6,427 |
| General administrative costs | | 1,230 | 4,938 |
| Professional fees | | 2,081 | 2,970 |
| Share-based payments | | - | 5,164 |
| Shareholder communication and travel | | 1,645 | 3,430 |
| Consulting fees | 6 | 18,000 | 39,000 |
| Foreign exchange loss (gain) | | - | (440) |
| Interest expense | 6 | 7,629 | 6,593 |
| LOSS AND COMPREHENSIVE LOSS | | 43,955 | 80,942 |
| Basic and diluted loss per common share | | - | - |
| Weighted average number of common shares outstanding – basic and diluted | | 109,350,707 | 102,950,707 |

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| For the three months ended March 31, | | 2020 | 2019 |
|--|------|-----------------|-----------------|
| Cash flows provided by (used in) | Note | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Loss and comprehensive loss | | (43,955) | (80,942) |
| Items not affecting cash | | | |
| Share-based payments | | - | 5,164 |
| Interest expense | | 7,629 | 6,593 |
| Change in non-cash working capital items | | 9,751 | 10,258 |
| OPERATING ACTIVITIES | | (26,575) | (58,927) |
| FINANCING ACTIVITIES | | | |
| Loan from related party | 6 | - | 50,000 |
| FINANCING ACTIVITIES | | - | 50,000 |
| CHANGE IN CASH | | (26,575) | (8,927) |
| Cash – Beginning | | 95,927 | 23,053 |
| CASH - ENDING | | 69,352 | 14,126 |

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| | Note | Number of Shares | Share Capital \$ | Contributed Surplus \$ | Deficit \$ | Shareholders' Equity \$ |
|----------------------------------|------|---------------------|------------------------|------------------------------|---------------------|-------------------------------|
| DECEMBER 31, 2018 | | 102,950,707 | 9,629,738 | 1,067,078 | (10,487,797) | 209,019 |
| Share-based payments | | - | - | 5,164 | - | 5,164 |
| Loss and comprehensive loss | | - | - | - | (80,942) | (80,942) |
| MARCH 31, 2019 | | 102,950,707 | 9,629,738 | 1,072,242 | (10,568,739) | 133,241 |
| Private placement | 4 | 6,000,000 | 300,000, | - | - | 300,000 |
| Private placement issuance costs | | - | (3,450) | - | - | (3,450) |
| Shares issued on debt settlement | 4 | 400,000 | 20,000 | - | - | 20,000 |
| Debt settlement costs | | - | (600) | - | - | (600) |
| Share-based payments | | - | - | 2,772 | - | 2,772 |
| Loss and comprehensive loss | | - | - | - | (176,211) | (176,211) |
| DECEMBER 31, 2019 | | 109,350,707 | 9,945,688 | 1,075,014 | (10,744,950) | 275,752 |
| Loss and comprehensive loss | | - | - | - | (43,955) | (43,955) |
| MARCH 31, 2020 | | 109,350,707 | 9,945,688 | 1,072,014 | (10,788,905) | 231,797 |

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

Blue Moon Zinc Corp. (together with its subsidiaries, "Blue Moon" or the "Company") is a Canadian exploration stage company which is focused on the exploration and development of mineral resource properties.

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.

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2. BASIS OF PRESENTATION**a) Compliance with International Financial Reporting Standards**

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

These financial statements were approved for issue by the Company's board of directors on May 28, 2020.

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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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. 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 2.5% Net Smelter Royalty ("NSR") capped at US\$1,900,000. All royalties are payable to third parties. 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 completed a strategic joint venture where Platina Resources Limited ("Platina") can earn up to a 70% interest in the Blue Moon project.

Platina can earn an initial 50% interest ("Stage 1") in the Blue Moon property by spending a minimum of \$3 million within eighteen months, which will include a minimum of 10,000 metres of drilling and \$400,000 of metallurgical test work. Platina is required to pay the Company \$250,000 in cash or Platina shares prior to completion of Stage 1, at the Company's sole option.

Upon earning its initial 50% interest in Stage 1, Platina has 20 business days in which to elect to earn an additional 20% interest ("Stage 2") in the Blue Moon property by spending a minimum of \$3.75 million within eighteen months, which will include the completion of a pre-feasibility study as well as a minimum of \$1,750,000 of drilling, \$250,000 of metallurgical test work, and \$500,000 of environmental and permitting expenditures. Platina is required to pay the Company \$500,000 in cash or Platina shares prior to completion of Stage 2, at the Company's sole option.

Upon earning its 70% interest in the Blue Moon property, the Company has 20 business days to elect for Platina to fund the next \$5 million in expenditures, including the Company's share of funding.

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.

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c) Mineral property costs

| | Blue Moon \$ |
|----------------------------|-----------------|
| December 31, 2018 and 2019 | 668,952 |
| MARCH 31, 2020 | 668,952 |

d) General exploration expenses

| For the three months ended March 31, | 2020 \$ | 2019 \$ |
|--------------------------------------|--------------|---------------|
| Claims costs | 6,569 | 6,372 |
| Camp operations | - | 4,129 |
| Prospecting and geology | - | 2,359 |
| TOTAL | 6,569 | 12,860 |

4. 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 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 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 \$0.05 per share to the creditor to settle an outstanding debt of \$20,000. The Company incurred \$600 in debt settlement costs.

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

A summary of the Company's warrants outstanding, including changes for the periods 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 |
| MARCH 31, 2020 | - | - |

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 |
| MARCH 31, 2020 | 4,300,000 | 0.08 |

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 | 2.24 | 3,750,000 |
| February 11, 2023 | \$0.11 | 200,000 | 2.87 | 200,000 |
| March 11, 2023 | \$0.11 | 350,000 | 2.95 | 350,000 |
| MARCH 31, 2020 | | 4,300,000 | 2.33 | 4,300,000 |

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6. 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 three months ended March 31, | 2020 | 2019 |
|--------------------------------------|---------------|---------------|
| | \$ | \$ |
| Consulting fees | 18,000 | 36,000 |
| Share-based payments | - | 3,323 |
| MANAGEMENT COMPENSATION | 18,000 | 39,323 |

As at March 31, 2020, due to related parties included \$121,000 (December 31, 2019 - \$103,000) due to officers of the Company. 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 October 31, 2020 pursuant to an amended agreement effective January 1, 2020. As at March 31, 2020, the Company recorded \$41,138 (December 31, 2019 - \$33,509) in accrued interest charges, which is included in due to related parties.

7. 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, 2019 and MARCH 31, 2020 | - | 668,952 | 668,952 |

8. 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 March 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.

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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.

9. 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. Financial instruments consist of cash, restricted cash, receivables, due to related parties, and accounts payable and accrued liabilities.

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 March 31, 2020, receivables consisted of \$2,461 (December 31, 2019 - \$2,025) in GST receivable and restricted cash comprises 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.

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.

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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.

Sensitivity Analysis

The Company through a subsidiary operates in the United States and is exposed to exchange risk from changes in the US dollar. At March 31, 2020, a 10% fluctuation in the US dollar against the Canadian dollar would have a minimal impact on the Company's loss and comprehensive loss.