



Blue Moon Zinc Corp.

**Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2019**

(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 STATEMENTS OF FINANCIAL POSITION

		September 30, 2019	December 31, 2018
		\$	\$
ASSETS			
	Note		
Cash		4,580	23,053
Accounts receivable	10b	11,418	21,543
Prepaid expenses		2,333	9,125
Restricted cash	10b	13,864	13,864
CURRENT ASSETS		32,195	67,585
Mineral property interests	3	668,952	668,952
ASSETS		701,147	736,537
LIABILITIES			
Accounts payable and accrued liabilities		110,151	123,422
Due to related parties	7	567,796	404,096
LIABILITIES		677,947	527,518
SHAREHOLDERS' EQUITY			
Share capital	4	9,629,738	9,629,738
Contributed surplus		1,075,014	1,067,078
Deficit		(10,681,552)	(10,487,797)
SHAREHOLDERS' EQUITY		23,200	209,019
LIABILITIES AND SHAREHOLDERS' EQUITY		701,147	736,537
Nature of operations and going concern	1		
Subsequent event	11		

Approved by the Board of Directors

Douglas Urch (signed) Director

Patrick McGrath (signed) Director

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
General exploration expenses	1,638	584,648	17,803	769,796
Filing and regulatory	733	9,940	11,182	25,158
General administrative costs	450	5,067	9,479	13,047
Professional fees	17,216	3,504	25,165	6,772
Share-based payments	1,221	22,112	7,936	162,060
Shareholder communication and travel	1,759	12,696	9,296	75,713
Consulting fees	18,000	39,000	91,000	151,000
Foreign exchange loss	-	2,046	194	4,659
Interest expense	7,627	-	21,700	-
LOSS AND COMPREHENSIVE LOSS	48,644	679,013	193,755	1,208,205
Basic and diluted loss per share	-	0.01	-	0.01
Weighted average number of common shares outstanding	102,950,707	102,950,707	102,950,707	101,822,502

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months end September 30,		2019	2018
Cash flows provided by (used in)	Note	\$	\$
OPERATING ACTIVITIES			
Loss and comprehensive loss		(193,755)	(1,208,205)
Items not affecting cash			
Share-based payments		7,936	162,060
Interest expense	7	21,700	-
Change in non-cash working capital items		89,646	400,441
OPERATING ACTIVITIES		(74,473)	(645,704)
FINANCING ACTIVITIES			
Issuance of units	4b	-	520,000
Unit issuance costs	4b	-	(12,066)
Exercise of stock options	5b	-	80,000
Loan from related party	7	56,000	-
FINANCING ACTIVITIES		56,000	587,934
INVESTING ACTIVITIES			
Buyback Net Profit Interest	3c	-	(21,975)
INVESTING ACTIVITIES		-	(21,975)
CHANGE IN CASH		(18,473)	(79,745)
Cash – Beginning		23,053	308,701
CASH - ENDING		4,580	228,956

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Shareholders' Equity \$
DECEMBER 31, 2017		93,750,707	8,648,966	935,375	(9,064,038)	520,303
Shares issued to buyback NPI Royalty Private Placements	3c	3,000,000	315,000	-	-	315,000
Unit issuance	4b	5,200,000	520,000	-	-	520,000
Unit issuance costs		-	(12,066)	-	-	(12,066)
Exercise of stock options	5b	1,000,000	80,000	-	-	80,000
Transfer of stock option value		-	77,838	(77,838)	-	-
Share-based payments	6	-	-	162,060	-	162,060
Loss and comprehensive loss		-	-	-	(1,208,205)	(1,208,205)
SEPTEMBER 30, 2018		102,950,707	9,629,738	1,019,597	(10,272,243)	377,092
Share-based payments	6	-	-	47,481	-	47,481
Loss and comprehensive loss		-	-	-	(215,554)	(215,554)
DECEMBER 31, 2018		102,950,707	9,629,738	1,067,078	(10,487,797)	209,019
Share-based payments	6	-	-	7,936	-	7,936
Loss and comprehensive loss		-	-	-	(193,755)	(193,755)
SEPTEMBER 30, 2019		102,950,707	9,629,738	1,075,014	(10,681,552)	23,200

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Notes to the Condensed Interim Consolidated Financial Statements

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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. On July 5, 2017, the Company changed its name to Blue Moon Zinc Corp. and began trading under its new stock symbol "MOON".

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 condensed interim 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.

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, 2018, 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 November 26, 2019.

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b) Critical accounting judgements, estimates and assumptions

Critical Judgments

The preparation of these condensed interim 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) Mineral Property Interests

The carrying amount of the Company's mineral property interests does not necessarily represent present or future values, and the Company's mineral property interests 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 mineral property interests.

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.

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.

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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.

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% 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, 2017	331,977
Buyback NPI Royalty	336,975
DECEMBER 31, 2018 and SEPTEMBER 30, 2019	668,952

On January 18, 2018, the Company agreed to buyback a 10% Net Profit Interest ("NPI") on the Company's wholly owned Blue Moon zinc project. The NPI holder, Northern Empire Resources Corp., was paid \$20,000 in cash and issued 3,000,000 common shares of the Company with a fair value of \$315,000. The Company also incurred \$1,975 in costs associated with closing the transaction.

d) General exploration expenses

For the nine months ended September 30,	2019 \$	2018 \$
Claims costs	7,250	12,260
Camp operations	8,334	52,137
Drilling	-	488,536
Engineering studies	-	17,439
Permitting	-	69,477
Prospecting and geology	2,219	129,947
TOTAL	17,803	769,796

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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 February 14, 2018, the Company issued 5,200,000 units at a price of \$0.10 per unit for gross proceeds of \$520,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of \$0.15 until February 15, 2020. In the event the closing price of the Company's common shares exceeds \$0.22 per share for ten consecutive trading days, the Company may accelerate the date of the warrants by giving notice to the warrant holders and in such case the Warrants will expire on the 30th day after the day on which such notice is given by the Company. The Company incurred unit issuance costs of \$12,066.

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, 2017	-	-
Issued	5,200,000	0.15
DECEMBER 31, 2018 and SEPTEMBER 30, 2019	5,200,000	0.15

Warrants outstanding are as follows:

Expiry Date	Exercise Price	Number of warrants	Average remaining contractual life (years)
February 15, 2020	\$0.15	5,200,000	0.38
SEPTEMBER 30, 2019		5,200,000	0.38

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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, 2017	4,350,000	0.07
Granted	1,550,000	0.09
Exercised	(1,000,000)	0.08
Forfeited	(600,000)	0.07
DECEMBER 31, 2018 and SEPTEMBER 30, 2019	4,300,000	0.08

Stock options outstanding 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	2.74	3,750,000
February 11, 2023	\$0.11	200,000	3.37	200,000
March 11, 2023	\$0.11	350,000	3.45	350,000
SEPTEMBER 30, 2019		4,300,000	2.83	4,300,000

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6. SHARE-BASED PAYMENTS

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

Inputs and assumptions	March 11, 2018	February 11, 2018	January 17, 2018
Stock options granted	350,000	200,000	1,000,000
Exercise price	\$0.11	\$0.11	\$0.08
Market price	\$0.105	\$0.105	\$0.08
Expected life of options (years)	5	5	5
Expected stock price volatility	192%	193%	196%
Average risk-free interest rate	2.00%	2.08%	2.08%
Expected forfeiture rate	-	-	-
Expected dividend yield	-	-	-
FAIR VALUE ASSIGNED	\$35,607	\$20,374	\$77,838

7. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019 \$	2018 \$	2019 \$	2018 \$
Consulting fees	18,000	36,000	88,000	108,000
Share-based payments	1,221	14,438	6,095	58,146
MANAGEMENT COMPENSATION	19,221	50,438	94,095	166,146

As at September 30, 2019, due to related parties included \$236,000 (December 31, 2018 - \$150,000) due to officers of the Company. These amounts due to current 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 \$50,000 and \$6,000 on 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 is payable on June 1, 2020. As at September 30, 2019 the Company recorded \$21,700 (December 31, 2018 - \$4,096) in accrued interest charges, which is included in due to related parties.

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8. 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:

	United States \$	Total \$
December 31, 2018	668,952	668,952
September 30, 2019	668,952	668,952

9. CAPITAL MANAGEMENT

Blue Moon 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 common shares. 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 September 30, 2019, 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.

Blue Moon 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.

Blue Moon 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 period. Blue Moon does not pay dividends. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

10. 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.

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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 September 30, 2019 receivables consisted of \$986 (December 31, 2018 - \$11,111) in GST receivable and \$10,432 (December 31, 2018 - \$10,432) due from the BLM, and restricted cash comprises of bonds valued at \$13,864 (December 31, 2018 - \$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.

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 September 30, 2019, a 10% fluctuation in the US dollar against the Canadian dollar would have a minimal impact on the Company's loss and comprehensive loss.

11. SUBSEQUENT EVENT

On October 24, 2019, the Company completed a strategic joint venture where Platina Resources Inc. ("Platina") can earn a 70% interest in the Blue Moon zinc property. The Company also issued Platina six million common shares at \$0.05 per common share for gross proceeds of \$300,000. Please refer to the Company's October 24, 2019, new release for more information.