



## **Interim Condensed Financial Statements**

For the Three Months Ended March 31, 2020 and 2019

(Unaudited)

## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, “Continuous Disclosure Obligations”, part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Corporation’s external auditors have not performed a review of these financial statements.

# **RED MOON RESOURCES INC.**

March 31, 2020 and 2019

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**RED MOON RESOURCES INC.**  
**Condensed Balance Sheets**  
**(Unaudited)**

**As at**

(in Canadian dollars)

	<b>March 31</b>	December 31
	<b>2020</b>	2019
	\$	\$
<b>Assets</b>		
Current assets		
Cash	<b>220,562</b>	266,831
Accounts receivable	<b>12,774</b>	6,355
Prepaid expenses	<b>2,327</b>	4,655
	<b>235,663</b>	277,841
Capital assets	<b>569</b>	700
Mineral exploration and evaluation (Note 3)	<b>1,918,058</b>	1,907,217
<b>Total Assets</b>	<b>2,154,290</b>	2,185,758
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	<b>121,672</b>	124,423
Asset retirement obligations (Note 4)	<b>129,430</b>	129,430
<b>Total Liabilities</b>	<b>251,102</b>	253,853
<b>Shareholders' Equity</b>		
Share capital	<b>2,839,083</b>	2,839,083
Warrants	<b>102,121</b>	102,121
Contributed surplus	<b>379,652</b>	373,412
Deficit	<b>(1,417,668)</b>	(1,382,711)
<b>Total Shareholders' Equity</b>	<b>1,903,188</b>	1,931,905
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,154,290</b>	2,185,758

Nature of operations and going concern (Note 1)

Subsequent Event (Note 7)

Approved on behalf of the Board of Directors

Patrick J. Laracy **Director**

William Koenig **Director**

See accompanying notes to the condensed financial statements

**RED MOON RESOURCES INC.**  
**Statements of Loss and Comprehensive Loss**  
**Condensed Statements of Loss and Comprehensive Loss**  
**(Unaudited)**  
**Three Months Ended March 31**

(in Canadian dollars)	<b>2020</b>	2019
	\$	\$
<b>Income (Expenses)</b>		
Management and subcontract fees (Note 6)	<b>(6,875)</b>	(1,750)
Transfer agent, regulatory and professional fees	<b>(6,295)</b>	(9,714)
Office and other	<b>(8,967)</b>	(4,891)
Conferences and travel	<b>(6,449)</b>	(10,080)
Depreciation	<b>(131)</b>	(131)
Exploration and evaluation expense	-	
Share-based compensation (Note 5 (b))	<b>(6,240)</b>	(11,691)
<b>Net and comprehensive loss</b>	<b>(34,957)</b>	(38,257)
Net loss per share - basic and diluted	<b>(0.001)</b>	(0.001)
Weighted-average number of common shares outstanding - basic and diluted	<b>50,600,004</b>	48,050,004

See accompanying notes to the condensed financial statements

**RED MOON RESOURCES INC.**  
**Condensed Statements of Changes in Shareholders' Equity**  
**(Unaudited)**

(in Canadian dollars)

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
	\$	\$	\$	\$	\$
Balance, December 31, 2018	2,622,179	66,000	292,678	(1,168,813)	1,812,044
Net and comprehensive loss					
January 1, 2019 - March 31, 2019	-	-	-	(38,257)	(38,257)
Share-based compensation	-	-	11,992	-	11,992
<b>Balance, March 31, 2019</b>	<b>2,622,179</b>	<b>66,000</b>	<b>304,670</b>	<b>(1,207,070)</b>	<b>1,785,779</b>
Net and comprehensive loss					
April 1, 2019- December 31, 2019	-	-	-	(175,641)	(175,641)
Share-based compensation	-	-	68,742	-	68,742
Share issuance costs	(1,975)	-	-	-	(1,975)
Issuance of shares and warrants pursuant to private placement	218,879	36,121	-	-	255,000
<b>Balance, December 31, 2019</b>	<b>2,839,083</b>	<b>102,121</b>	<b>373,412</b>	<b>(1,382,711)</b>	<b>1,931,905</b>
Net and comprehensive loss					
January 1, 2020 - March 31, 2020	-	-	-	(34,957)	(34,957)
Share-based compensation	-	-	6,240	-	6,240
<b>Balance, March 31, 2020</b>	<b>2,839,083</b>	<b>102,121</b>	<b>379,652</b>	<b>(1,417,668)</b>	<b>1,903,188</b>

See accompanying notes to the condensed financial statements

**RED MOON RESOURCES INC.**  
**Condensed Statements of Cash Flows**  
**(Unaudited)**  
**Three Months Ended March 31**

(in Canadian dollars)	2020	2019
	\$	\$
<b>Operating Activities</b>		
Net loss	(34,957)	(38,257)
Adjustment for non-cash item:		
Depreciation	131	131
Share-based compensation	6,240	11,691
	<b>(28,586)</b>	<b>(26,435)</b>
Changes in non-cash working capital		
Accounts receivable	(6,419)	(3,712)
Prepaid expenses	2,328	1,768
Accounts payable and accrued liabilities	(2,751)	(9,765)
	<b>(35,428)</b>	<b>(38,142)</b>
<b>Financing Activities</b>		
Issuance of common shares & warrants	-	165,000
	-	165,000
<b>Investing Activities</b>		
Mineral exploration and evaluation assets	(10,841)	(33,528)
	<b>(10,841)</b>	<b>(62,457)</b>
Net change in cash for the period	(46,269)	93,330
Cash, beginning of period	266,831	1,755
<b>Cash, end of period</b>	<b>220,562</b>	<b>95,085</b>

See accompanying notes to the condensed financial statements

# **RED MOON RESOURCES INC.**

## **Notes to the Condensed Financial Statements**

**March 31, 2020 and 2019**

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

The Company was formed on June 15, 2011 under the Alberta Business Corporations Act and was listed on the TSX Venture Exchange on August 17, 2012. Prior to listing on the TSX Venture Exchange, the Company was inactive. Its registered address is 333 Duckworth Street, St. John's, NL A1C 1G9. On November 14, 2016, the Company changed its name from Red Moon Potash Inc. to Red Moon Resources Inc. to more accurately reflect the nature of its operations.

Red Moon Resources Inc. (the "Company") is a junior minerals exploration company engaged in the acquisition, evaluation and exploration of mineral properties in Newfoundland and Labrador. The Company's immediate objectives are to define and develop a world-class industrial mineral projects. The Company plans to ultimately develop properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. Currently the Company's Ace Gypsum mine is in the pre-production stage and has had pre-production income of \$414,648 total to date. The Company is also seeking a financing partner with respect to its Captain Cook Salt mine. As commercial viability of these projects has not yet been established, the Company is considered to be in the exploration stage.

These financial statements have been prepared using accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company reflected a loss of \$34,957 for the three months ended March 31, 2020 (March 31, 2019- \$38,257) and had an accumulated deficit of \$1,417,668. The Company had no income or cash flow from operations at March 31, 2020 and had a positive working capital of \$113,991. Pre-production income from the Ace Gypsum mine has provided a source of cash inflows in prior years; however, the Company must secure sufficient funding to further develop the Ace Gypsum mine to full commercial production, as well as to continue to fund the Company's working capital requirements while it continues its exploration efforts on its other mineral projects. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due, and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund working capital and future acquisition costs and exploration requirements and eventually to generate positive cash flows, either from operations or proceeds from disposition of exploration assets. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

### **2. BASIS OF PRESENTATION**

The Company prepares its financial statements with Canadian generally accepted accounting principles ("GAAP") as set out in the Canadian Professional Accountants of Canada Handbook – Accounting –



**RED MOON RESOURCES INC.**  
**Notes to the Condensed Financial Statements**  
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Part I (“CPA Canada Handbook”) which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The accounting policies used in preparing these unaudited interim condensed financial statements are consistent with those used in the preparation of the Company’s annual financial statements. These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2019.

These financial statements have been prepared on an historical cost basis.

The functional and presentation currency of the financial statements is Canadian dollars.

These financial statements were approved and authorized for issuance by the Board of Directors on May 27, 2020.

**3. MINERAL EXPLORATION AND EVALUATION ASSETS**

The Company has 19 mineral licences (2019 -19) which consist of 233 claims (2019 – 233 claims), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licences are in the exploration and evaluation stage. The Company has a mining lease (Ace Mining Lease #239) registered with the Department of Natural Resources in the Province of Newfoundland and Labrador on mineral licence 022132M situated near St. George’s, Western Newfoundland.

A summary of the costs of these licences is as follows:

	<b>March 31, 2020</b>				
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Write- downs</b>	<b>Incidental Revenue</b>	<b>Balance, End of Period</b>
	\$	\$	\$	\$	\$
Property acquisition costs	<b>1,096,390</b>	-	-	-	<b>1,096,390</b>
Exploration costs	<b>810,827</b>	<b>10,841</b>	-	-	<b>821,668</b>
	<b>1,907,217</b>	<b>10,841</b>	-	-	<b>1,918,058</b>

**RED MOON RESOURCES INC.**  
**Notes to the Condensed Financial Statements**  
**March 31, 2020 and 2019**

**December 31, 2019**

	Balance, Beginning of Year	Additions	Write- downs	Incidental Revenue	Balance, End of Year
	\$	\$	\$	\$	\$
Property acquisition costs	1,084,965	11,425	-	-	1,096,390
Exploration costs	1,007,767	170,900	(1,440)	(366,400)	810,827
	<b>2,092,732</b>	<b>182,325</b>	<b>(1,440)</b>	<b>(366,400)</b>	<b>1,907,217</b>

Incidental revenue includes proceeds from the sale of gypsum from the Ace Gypsum mine. Current year additions to mineral exploration costs include share based compensation of nil (2019- \$2,563).

**4. ASSET RETIREMENT OBLIGATIONS**

Upon termination of the Company's Ace Gypsum mine, the Company is required to satisfy certain asset retirement obligations including the removal of any equipment and the restoration of the land and premises to their original condition.

The total discounted cash flows estimated to settle its asset retirement obligations at March 31, 2020 was \$129,430 (December 31, 2019- \$129,430). The estimated future cash flows have been discounted using a risk-free rate of 1.69%. As at March 31, 2020, the Company had entered an agreement with an insurance company to provide a surety bond to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

A reconciliation of the asset retirement obligation is provided below:

	2020	2019
	\$	
Balance, beginning of year	129,430	35,777
Provisions incurred	-	93,653
<b>Balance, end of period</b>	<b>129,430</b>	<b>129,430</b>

**RED MOON RESOURCES INC.**  
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**5. SHARE-BASED COMPENSATION**

*a) Stock option plan*

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The number of shares which may be reserved for issuance in any 12 month period to any one individual may not exceed 5% of the issued shares or 2% if the optionee is a consultant, and the number of shares which may be reserved for issuance in any 12 month period to all optionees engaged in investor relations activities may not exceed 2% in the aggregate of the issued shares on a yearly basis. Options may be exercisable over periods of up to ten years, as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the TSXV.

*b) Stock options*

A summary of stock options outstanding and exercisable is as follows:

	<b>March 31, 2020</b>		December 31, 2019	
	<b>Number of Options</b>	<b>Weighted- Average Exercise Price</b>	Number of Options	Weighted- Average Exercise Price
		\$		\$
Outstanding, beginning of year	<b>4,500,000</b>	<b>0.10</b>	3,800,000	0.10
Granted	-	-	700,000	0.10
Expired	<b>(600,000)</b>	-	-	-
Outstanding, end of period	<b>3,900,000</b>	<b>0.10</b>	4,500,000	0.10
<b>Outstanding and exercisable, end of period</b>	<b>3,550,000</b>	<b>0.10</b>	4,150,000	0.10

The weighted average remaining contractual life of outstanding options is 2.68 years (December 31, 2019 – 2.91 years). The weighted average remaining contractual life of exercisable options is 2.50 years (December 31, 2019- 2.54 years). No stock options were granted in the three months ended March 31, 2020. The weighted average fair value of stock options granted in the year ended December 31, 2019 was estimated on the dates of the grants to be \$0.0905 using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

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	<b>March 31, 2020</b>	December 31, 2019
Expected volatility (%)	-	183.00
Risk free interest rate (%)	-	1.65
Weighted-average expected life (years)	-	5.00
Dividend yield (%)	-	-

The Company recognized share-based compensation in the amount of \$6,240 in the three months ended March 31, 2020 (March 31, 2019 - \$11,992). Share-based compensation in the amount of \$6,240 was expensed for the three months ended March 31, 2019 (March 31, 2019 – \$11,691 ) and nil (March 31, 2019 - \$301) was capitalized to mineral exploration and evaluation assets.

**6. RELATED PARTY TRANSACTIONS**

The Company is controlled by Vulcan Minerals Inc., which owns 63.03% of the Company's common shares. The following transactions were carried out with related parties:

	<b>Three Months Ended March 31, 2020</b>	<b>Three Months Ended March 31, 2019</b>
	\$	\$
Expenditures paid/payable to Vulcan Minerals Inc., parent of the Company and reflected as:		
Mineral exploration and evaluation assets	<b>6,875</b>	1,750
General and administrative expenses	<b>10,840</b>	7,656
Rent paid to a corporation which is controlled by the President of the Company	<b>3,000</b>	3,000
	<b>20,715</b>	12,406

Compensation for key management personnel, which includes the President and Chief Executive Officer, Chief Financial Officer and Directors, is as follows:

**RED MOON RESOURCES INC.**  
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	<b>Three Months Ended March 31, 2020</b>	<b>Three Months Ended March 31, 2019</b>
	\$	\$
Management fees, salaries and benefits for key management personnel paid/payable to parent and included in Note 6 above, and reflected as the following:		
General and administrative expenses	<b>6,875</b>	1,750
Capitalized as mineral and exploration and evaluation assets	<b>5,940</b>	2,070
Share-based compensation		
General and administrative expense	<b>6,240</b>	11,691
Mineral exploration and evaluation assets	-	301
	<b>19,055</b>	15,812

Accounts payable and accrued liabilities include \$94,046 owing to parent company, Vulcan Minerals Inc. at March 31, 2020 (December 31, 2019 - \$73,672). Included in expenses are costs of \$29,720 rechargeable from the parent (December 31, 2019 - \$44,185). Also included is a payable of \$12,255 due to the parent Company for a 3% Net Production Royalty on net proceeds from the Ace Gypsum mine production was incurred in the year

**7. SUBSEQUENT EVENT**

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The impact of the outbreak on the financial results of the Company will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

# **CORPORATE INFORMATION**

## **OFFICERS AND MANAGEMENT**

Patrick J. Laracy  
President and Chairman

Jennifer Button  
Chief Financial Officer and Corporate  
Secretary

## **BOARD OF DIRECTORS**

Patrick J. Laracy

Fraser Edison

Carson Noel

William Koenig

**EXCHANGE LISTING**  
TSX Venture – “RMK”

**LEGAL COUNSEL**  
Morris McManus, Calgary, AB  
Cox & Palmer, St. John’s, NL

**REGISTRAR AND TRANSFER AGENT**  
Computershare Trust Company of Canada

**AUDITORS**  
PricewaterhouseCoopers LLP

**BANKERS**  
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