# Windfall Geotek Inc

(formerly known as Albert Mining Inc)

**Audited Consolidated Financial Statements**

## Years ended February 29th, 2020 and February 28, 2019

(Canadian dollars, unless otherwise stated)

## Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Windfall Geotek Inc. (formerly known as Albert Mining Inc.) (the "Company") are the responsibility of management and the Board of Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited consolidated annual financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Michel Fontaine
Chief Executive Officer

(signed)
Daniel Bélisle
Chief Financial Officer

June 25, 2020

WINDFALL GEOTEK

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DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Windfall Geotek Inc. (formerly Albert Mining Inc.)**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Windfall Geotek Inc. (formerly Albert Mining Inc.) (the "Company"), which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019 and the consolidated statements of operations, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 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 audit 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 financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically viable. As stated in Note 2, the Company must secure additional funding to be able to discharge its liabilities and to fund its ongoing working capital requirements. These matters, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

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. 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.

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 Keith Macdonald.

De Visser Gray LLP

**Chartered Professional Accountants**

Vancouver, BC, Canada
June 25, 2020

# Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

## Consolidated Statements of Financial Position

## For the years ended February 29, 2020 and February 28, 2019

(in Canadian dollars)

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 104,677 | 175,006 |
| Amounts receivable (note 7) | 142,477 | 48,016 |
| Prepaid expenses | - | 11,612 |
| Marketable securities (note 8) | 393,534 | - |
| Subscription paid (note 8) | 100,000 | - |
| **Total current assets** | 740,688 | 234,634 |
| **Non-current assets** | | |
| Office equipment (note 9) | 23,524 | 1,417 |
| Intangible asset – CARDS (note 10) | 300,000 | 450,000 |
| Exploration and evaluation assets (notes 6 and 11) | 1 | 1 |
| **Total non-current assets** | 323,525 | 451,418 |
| **TOTAL ASSETS** | 1,064,213 | 686,052 |
| **Liabilities and Equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 12) | 119,304 | 87,101 |
| Deferred revenue (note 13) | 77,963 | - |
| **Total liabilities** | 197,267 | 87,101 |
| **Equity** | | |
| Share capital (note 15) | 37,903,803 | 36,807,470 |
| Subscription received | - | 165,000 |
| Contributed surplus (note 16) | 6,288,445 | 6,009,203 |
| Warrants (note 15) | 406,272 | 477,671 |
| Deficit | (43,731,574) | (42,860,393) |
| **Total equity** | 866,946 | 598,951 |
| **TOTAL LIABILITIES AND EQUITY** | 1,064,213 | 686,052 |

**Going concern** (note 2)
**Events after the reporting period** (note 26)

### Approved by the Board of Directors

*"Michel Fontaine"* ____________________ Director

*"Andre Larante"* ____________________ Director

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

**Consolidated Statements of Operations**

**For the years ended February 29, 2020 and February 28, 2019**

(in Canadian dollars, except for the number of shares)

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Revenue** | | |
| CARDS services | 617,037 | 30,000 |
| **Operating expenses** | | |
| Amortization and depreciation (notes 9 and 10) | (153,108) | (150,000) |
| Commissions – CARDS (notes 6 and 19) | (100,500) | - |
| Exploration and evaluation expenditures (note 11) | (119,975) | (345,383) |
| General and administration (note 18) | (803,547) | (447,149) |
| Share-based compensation (notes 16 and 19) | (125,860) | (51,496) |
| | (1,302,990) | (994,028) |
| **Operating loss** | (685,953) | (964,028) |
| Unrealized loss on marketable securities (note 8) | (185,228) | - |
| Gain on disposal of mining assets | - | 30,000 |
| **Loss before income taxes** | (871,181) | (934,028) |
| Flow-through premium recovery (note 14) | - | 94,346 |
| **Net loss and comprehensive loss for the year** | (871,181) | (839,682) |
| **Weighted average number of outstanding common shares** | | |
| Basic and diluted (note 17) | 79,976,998 | 63,284,390 |
| **Loss per share** | | |
| Basic and diluted (note 17) | (0.01) | (0.01) |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

## Consolidated Statements of Changes in Equity

## For the years ended February 29, 2020 and February 28, 2019

(in Canadian dollars, except for the number of shares)

| | Number Common Shares | Share Capital (Note 15) | Subscriptions Received | Contributed Surplus (Note 16) | Warrants (Note 15) | Deficit | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance March 1, 2018 | 63,142,061 | 36,787,060 | - | 5,599,079 | 838,459 | (42,020,711) | 1,203,887 |
| Issued for mineral properties | 150,000 | 11,250 | - | - | - | - | 11,250 |
| Subscriptions received | - | - | 165,000 | - | - | - | 165,000 |
| Warrants exercised | 100,000 | 9,160 | - | - | (2,160) | - | 7,000 |
| Warrants expired | - | - | - | 358,628 | (358,628) | - | - |
| Share-based compensation | - | - | - | 51,496 | - | - | 51,496 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (839,682) | (839,682) |
| Balance, February 28, 2019 | 63,392,061 | 36,807,470 | 165,000 | 6,009,203 | 477,671 | (42,860,393) | 598,951 |
| | | | | | | | |
| Balance March 1, 2019 | 63,392,061 | 36,807,470 | 165,000 | 6,009,203 | 477,671 | (42,860,393) | 598,951 |
| Issued in private placements | 12,062,500 | 665,000 | (165,000) | - | - | - | 500,000 |
| Warrants issued in private placement | - | (301,165) | - | - | 301,165 | - | - |
| Share issue costs | - | (16,155) | - | - | - | - | (16,155) |
| Warrants exercised | 5,964,320 | 640,216 | - | - | (170,745) | - | 469,471 |
| Options exercised | 1,000,000 | 108,437 | - | (48,437) | - | - | 60,000 |
| Warrants expired | - | - | - | 201,819 | (201,819) | - | - |
| Share-based compensation | - | - | - | 125,860 | - | - | 125,860 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (871,181) | (871,181) |
| Balance February 29, 2020 | 82,418,881 | 37,903,803 | - | 6,288,445 | 406,272 | (43,731,574) | 866,946 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Windfall Geotek Inc.

(formerly known as Albert Mining Inc.)

## Consolidated Statements of Cash Flows

## For the years ended February 29, 2020 and February 28, 2019

(in Canadian dollars)

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Cash flows provided (used in)** | | |
| **Operating activities** | | |
| Net loss for the year | (871,181) | (839,682) |
| Items not affecting cash: | | |
| Amortization and depreciation | 153,108 | 150,000 |
| Exploration expenditures settled in common shares | - | 11,250 |
| Unrealized loss on marketable securities | 185,228 | - |
| Flow-through premium recovery | - | (94,346) |
| Share-based compensation | 125,860 | 51,496 |
| | (406,985) | (721,282) |
| Changes in working capital items: | | |
| Amounts receivable | (94,461) | (31,904) |
| Prepaid expenses | 11,612 | (9,795) |
| Subscription paid | (100,000) | - |
| Accounts payable and accrued liabilities | 32,203 | (24,006) |
| Deferred revenue | 77,963 | - |
| **Cash flows used in operating activities** | (479,668) | (786,987) |
| **Investing activities** | | |
| Purchase of marketable securities | (578,762) | - |
| Purchase of office equipment | (25,215) | - |
| **Cash flows used in investing activities** | (603,977) | - |
| **Financing activities** | | |
| Issuance of common shares | 1,029,471 | 7,000 |
| Share issue expenses | (16,155) | - |
| Subscription received | - | 165,000 |
| **Cash flows provided by financing activities** | 1,013,316 | 172,000 |
| **Net change in cash** | (70,329) | (614,987) |
| **Cash, beginning of year** | 175,006 | 789,993 |
| **Cash, end of year** | 104,677 | 175,006 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

(in Canadian dollars, except per share amounts)

## 1 Incorporation and nature of activities

Windfall Geotek Inc. (formerly known as Albert Mining Inc.) ("Windfall" or the "Company") was incorporated under the Canada Business Corporations Act (Alberta) on February 23, 1996. The nature of operations involves the acquisition, exploration and development of mineral resource properties. Windfall Geotek Inc. and its subsidiaries (hereinafter the "Company") are in the exploration stage and do not derive any revenue from the development of their properties. The Company also offers CARDS artificial intelligence and data mining services (notes 4 g) and 6). The Company's common shares are listed on the TSX Venture Exchange ("TSX.V") (the "Exchange") under the symbol WIN. The Company's office is located at 7005 Taschereau Boulevard Suite 340, Brossard, Quebec, Canada, J4Z 1A7.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, indigenous claims, and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

## 2 Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable.

For the current year ended February 29, 2020, the Company has incurred a loss of $871,181 ($839,682 in 2019) and has an accumulated deficit of $43,731,574 as at February 29, 2020. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and evaluation programs and pay general and administration costs. As at February 29, 2020, the Company had a positive working capital of $543,421 ($147,533 as at February 28, 2019).

The Company must secure additional funding to be able to discharge its liabilities and to fund its ongoing working capital requirements. Management is evaluating various alternatives to secure the necessary financing so that the Company can continue as a going concern. The carrying amount of assets, liabilities and expenses presented in the consolidated financial statements and the classification used in the consolidated statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

These consolidated financial statements were approved and authorized for issue by the board of directors on June 25, 2020.

## 3 Statement of compliance

These consolidated financial statements, including comparative amounts, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended February 29, 2020. The accounting policies applied in these consolidated financial statements are presented in note 4 and have been applied consistently to all years unless otherwise noted.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

## 4 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

*a) Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, options and warrants which are measured at fair value, as explained in notes 8, 15 and 16 and are presented in Canadian dollars unless otherwise indicated.

*b) Basis of consolidation*

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Windfall is the group's ultimate parent company. The parent controls a subsidiary if it is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between companies.

The following companies have been consolidated within these consolidated financial statements:

| Name of subsidiary | Place of incorporation | Ownership interest | Principal activity |
|---|---|---|---|
| Tropic Diamonds Inc. | Ontario, Canada | 100% | Holding company |
| Ampanihy Resources S.A.R.L | Madagascar | 100% | Holding company |
| SIMACT Alliance Copper Gold Inc. | Montreal, Canada | 100% | Exploration company |

## 4 Summary of significant accounting policies (contined)

### *c) Foreign currency and foreign currency translation*

These consolidated financial statements are presented in Canadian dollars. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates (the "functional currency"). Windfall's functional currency is the Canadian dollar. The functional currency of all of the subsidiaries is the Canadian dollar. The functional currencies have remained unchanged during 2020 and 2019.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date; non monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates of exchange prevailing at the date the fair value was determined; and, non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Such exchange differences arising from retranslation at period end are recognized in net loss.

### *d) Jointly controlled exploration operations*

Joint arrangements are arrangements where the Company has joint control through a contractually agreed sharing of control arrangement. Joint control exists when decisions about the relevant activities require the unanimous consent of parties sharing control. Arrangements are classified and recognized as follows:

- Joint operations – when the Company has rights to assets, and obligations for the liabilities, relating to the joint arrangement and recognizes its share of the assets, liabilities, revenue, expenses, and its share of any joint transactions arising from the joint operations; and
- Joint venture – when the Company has the rights to the net assets of the joint arrangement relating to the joint arrangement and recognizes its interest using the equity method like for investments in associates.

### *e) Financial instruments*

<u>Adoption of IFRS 9</u>
On March 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") in accordance with the transitional provisions of the standard. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. The change did not impact the carrying value of any of the Company's financial assets on the transition date.

The impact on the statement of financial position from the changes related to IFRS 9 has been summarized below.

(in Canadian dollars, except per share amounts)

## 4 Summary of significant accounting policies (contined)

### e) *Financial instruments (continued)*

Adoption of IFRS 9 (continued)
Management has assessed the classification and measurement of the Company's financial assets and financial liabilities under IFRS 9 as follows:

| **Financial Assets** | **IAS 39** | **IFRS 9** |
|---|---|---|
| Cash | Loans and receivables | Amortized cost |
| Amounts receivable (*) | Loans and receivables | Amortized cost |
| Marketable securities | n/a | Fair value through profit or loss |
| Subscription paid | n/a | Amortized cost |
| **Financial Liabilities** | | |
| Accounts payables and accrued liabilities | Amortized cost | Amortized cost |

(*) excluding G/QST

The classification of financial assets is based on how the entity manages its financial instruments and contractual cash flow characteristics of the financial asset. Transactions costs with respect to financial instruments classified as fair value through profit or loss are recognized in the consolidated statements of operations.

*Trade receivables*
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These are classified in current assets, except for the portion expected to be realized or paid beyond twelve months of the consolidated statements of financial position date, if any, which are classified as non-current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value.

*Impairment of financial assets and contract assets*
The Company recognizes loss allowances for expected credit losses ("ECL") on:

- financial assets measured at amortized cost; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances on amounts receivable at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

## 4 Summary of significant accounting policies (contined)

### e) *Financial instruments (continued)*

Adoption of IFRS 9 (continued)
*Impairment of financial assets and contract assets (continued)*

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Presentation of allowance for ECL in the consolidated statements of financial position*
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

*Write-off*
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

### f) *Impairment of non-financial assets and intangible assets with a finite useful life*

The Company assesses office equipment and intangible assets – CARDS for impairment when facts and circumstances suggest that the carrying amount of these assets is impaired. An impairment review is undertaken when indicators of impairment arise.

Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (Cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

### g) *Revenue recognition*

Effective March 1, 2018, the Company adopted and applied the provisions of IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which clarifies revenue recognition principles, establishes a five-step model for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. The adoption of this standard did not change the Company's revenue recognition accounting policies.

## 4 Summary of significant accounting policies (contined)

*g) Revenue recognition (continued)*

The Company specializes in data mining, profiling, prediction and targeting and provides statistical and information consulting services and relevant analysis and reports to its customers. The Company's performance obligation relates to the creation and delivery of a report and map of layer (the "report") to the customer.

The Company transfers control of the report over time and, therefore, satisfies the performance obligation and recognizes revenue over time as the contract is being completed. Control is achieved during the report preparation process, when the Company has a present right to payment for services performed to date and significant risks and rewards of ownership have been transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the report.

The Company generally receives payment in two lump sum fee amounts:

- A non-refundable amount (typically 75% to 80%) payable upon execution of the Services Agreement (the "SA"); and
- The balance upon delivery of the report to the customer.

If the Company has received payment for revenues where the performance obligation has not been satisfied, the amount received is recognized as deferred revenue in the consolidated statements of financial position until the performance obligation is satisfied.

A contract asset is the Company's right to consideration when the right is conditioned on something other than the passage of time.

*h) Office equipment*

Office equipment is comprised of computer equipment and is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, applicable borrowing costs, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they are incurred.

Depreciation is recognized based on the cost of an item equipment, less its estimated residual value, over its expected useful life.

Depreciation:

| Category | Years | Method |
|---|---|---|
| *Computer equipment* | *5* | *Straight line* |

## 4 Summary of significant accounting policies (contined)

*i) Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of operations in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of operations when the asset is derecognized.

Amortization:

| Category | Years | Method |
|---|---|---|
| *CARDS Software* | *5* | *Straight line* |

*j) Exploration and evaluation assets and exploration and evaluation expenditures*

All of the Company’s projects are currently in the exploration and evaluation phase.

All exploration and evaluation expenditures are expensed in the consolidated statement of operations.

*k) Provisions and contingent liabilities*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions or contingent liabilities as at February 29, 2020 and February 28, 2019.

## 4 Summary of significant accounting policies (contined)

*k) Provisions and contingent liabilities (continued)*

The Company's exploration and evaluation operations are governed by government environmental protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with the current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is a constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

The CARDS services warranty with respect to the quality of the report limits the Company’s liability to the specific performance of a second time good faith and best efforts reprocessing of the customer’s data using CARDS. The Company can either correct defects without any additional charge or effect an equitable reduction of the price paid or payable for the services and report, provided that the customer gives written notice of the defect within 30 days from the date that it becomes aware of the defect.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

*l) Equity-settled share-based payment transactions*

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement. Occasionally, the Company issues warrants to brokers.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless fair value cannot be reasonably estimated reliably. Where employees are rewarded using share-based payments, the fair value of the services rendered by the employees or a consultant providing similar services as employees is determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date and 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, taking 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 actual number of share options that are expected to vest. No adjustment is made to any expense recognized in the prior period if the number of share options ultimately exercised is different from that estimated on vesting. Share-based payments incorporate an expected forfeiture rate.

All equity-settled share-based payments under equity-settled share-based payment plans, except warrants to brokers, are ultimately recognized as an expense in profit or loss with a corresponding credit to the contributed surplus reserve, in equity. At the same time, upon exercise of a share option, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in the contributed surplus reserve are then transferred to share capital. Warrants issued to brokers are recognized as an issuance cost of equity instruments with a corresponding credit to the warrants reserve, in equity.

## 4 Summary of significant accounting policies (contined)

*m) Equity*

Share capital represents the amount received upon the share issuance, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded in the contributed surplus and warrants reserves.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued according to their fair value using the proportional method.

Other elements of equity

Reserves include the contributed surplus reserve and the warrants reserve.

Contributed surplus includes charges related to stock options. When stock options are exercised, the related compensation costs are transferred to share capital.

Warrants include the fair value on the issuance of warrants. When warrants are exercised, the related amount is transferred to share capital. Any revaluation of warrants based on the extension of warrants life, modification of exercise price, etc., issued in prior years are recorded directly in deficit. Deficit includes all current and prior period profits or losses.

*n) Income tax*

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax assets and/or liabilities are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

However, since the Company currently has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## 4 Summary of significant accounting policies (contined)

*n) Income tax (continued)*

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

Changes in deferred tax assets and liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

*o) Earnings per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

*p) Segmented reporting*

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors.

The Company has determined that it operates in two segments, being acquisition, exploration and development of mineral properties for economically recoverable reserves in Canada and generating revenue from providing services using the CARDS.

q) *New accounting standards adopted effective March 1, 2019*

Effective March 1, 2019, the Company adopted IFRS 16, Leases, where virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements. As a result, the Company is required to recognize leased assets (“right-of-use” assets) and the related lease liability on the consolidated statement of financial position. The application of IFRS 16 had no impact on the Company’s financial position and results of operations.

*r) Standards, amendments and interpretations not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the February 29, 2020 reporting period. Updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company is currently assessing the impact of these new standards, if any, on its consolidated financial statements.

- IFRS 3 (Amendment) – Business Combinations (effective January 1, 2020); and
- IAS 1 (Amendment) – Presentation of Financial Statements (effective January 1, 2022).

(in Canadian dollars, except per share amounts)

## 5 Critical accounting estimates and judgments

Significant estimates, judgements and assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from estimates, judgements and assumptions made, relate to, but are not limited to, the following:

Estimates

- The assessment of the ultimate collectability of accounts receivable and the determination of expected credit losses;
- Useful lives of equipment – the determination that there are no indicators suggesting that the useful lives require revision;
- Useful life of intangible asset – CARDS – the determination that there are no indicators suggesting that the useful life and/or method of calculating amortization require revision;
- The assessment of the timing of revenue recognition and the determination of deferred revenue; and
- The estimation of share-based compensation requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share price, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Judgements

- The determination that no material restoration, rehabilitation and environmental obligations and liabilities existed based on the facts and circumstances; and
- The assessment of the Company's ability to execute its strategy by funding future working capital. Further information regarding going concern is outlined in note 2.

## 6 Asset purchase agreement

On March 13, 2017, the Company signed an Asset Purchase Agreement (the "Agreement") with Diagnos Inc. ("Diagnos") for the purchase of the assets from Diagnos' mining division, including the Computer Aided Resources Detection System (the "CARDS"), for total value of $800,000.

Under the terms of the Agreement, the Company issued 8,000,000 common shares to Diagnos, at a price of $0.10 per share, in payment for the acquisition of the assets, consisting of Diagnos' mining claims, mineral property royalty agreements and the CARDS.

Per the Agreement, the allocation of the purchase price was as follows:

| | |
|---|---|
| CARDS | $750,000 |
| Mining claims (note 11) | 26,000 |
| Royalty agreements | 24,000 |
| | $800,000 |

(in Canadian dollars, except per share amounts)

## 6 Asset purchase agreement (continued)

The Company will remit to Diagnos (i) 50% of any payment that the Company receives from the royalty agreements forming part of the acquired assets; and (ii) 5% of revenues generated by the commercialization of the CARDS in the mining sector activity (note 19).

Subsequent to the Agreement date, the Company wrote down the royalty agreements to $1, and incurred a loss on the write down in the amount of $23,999.

## 7 Amounts receivable

| | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| Trade receivables | **154,821** | - |
| Option payment receivable (note 19) | **20,000** | 20,000 |
| G/QST receivable (payable) | **(344)** | 28,016 |
| Work in progress | **25,000** | - |
| | **199,477** | 48,016 |
| Allowance for doubtful accounts (note 19) | **(57,000)** | - |
| Net | **142,477** | 48,016 |

As at February 29, 2020, the allowance for doubtfull accounts provision was as follows:

| | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| **Balance – Beginning of year** | **-** | - |
| Bad debts expense (note 18) | **57,000** | - |
| Write-offs and recoveries | **-** | - |
| **Balance – End of year** | **57,000** | - |

## 8 Marketable securities / Subscription paid

Marketable securities

Marketable securities consist of equity securities of customers purchased by the Company and received as option payments by the Company and which it does not have control or significant influence over.

The Company's SAs (note 4 g)) typically include a "Warranties and Covenants" clause whereby the customer warrants to the Company that the Company will participate in the next private placement of the customer with a minimum subscription amount equal to the price paid by the customer pursuant to the SA.

(in Canadian dollars, except per share amounts)

## 8 Marketable securities / Subscription paid (continued)

Marketable securities (continued)

| | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| Marketable securities – fair value | **393,534** | - |
| Marketable securities – cost | **578,762** | - |

As at February 29, 2020, the Company held the following marketable securities:

| Company | Shares Held $ | Cost $ | Fair Value $ | Fair Value Increase (Decrease) $ |
|---|---|---|---|---|
| BWR Exploration Inc. (1) | 1,500,000 | 75,000 | 52,500 | (22,500) |
| Flow Metals Corp. (2) | 100,000 | - | - | - |
| Pacton Gold Inc. (3) | 1,458,333 | 175,000 | 102,083 | (72,917) |
| Playfair Mining Ltd. | 2,000,000 | 100,000 | 50,000 | (50,000) |
| Puma Exploration Inc. (4) | 700,000 | 105,000 | 45,500 | (59,500) |
| Quebec Precious Metals Corporation | 562,553 | 123,762 | 143,451 | 19,689 |
| | | 578,762 | 393,534 | (185,228) |

(1) 750,000 share purchase warrants exercisable at $0.075 per share for two years and $0.10 per share for the final year were also received.

(2) Received pursuant to the Option Agreement (note 11). As Flow Metals Corp. is private company, no value has been attributed to these shares. On June 22, 2020, the company's shares were listed for trading on the Canadian Securities Exchange and are trading at $0.20.

(3) 1,458,333 share purchase warrants exerciseable at $0.18 per share for two years were also received.

(4) 7,000,000 common shares were purchased and a 10 for 1 share consolidation reduced the number of shares held to 700,000.

Subscription paid

On August 30, 2019, the Company subscribed for 2,000,000 units of customer Chilean Metals Inc. at $0.05 per unit for a total of cost of $100,000. Each unit is comprised of one common share of the company and one common share purchase warrant. Each warrant is exerciseable at $0.05 per common share for two years. As at February 29, 2020, the private placement had not closed and the units had not been issued.

(in Canadian dollars, except per share amounts)

## 9 Office equipment

| | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| **Cost:** | | |
| Balance – Beginning of year | 1,417 | 1,417 |
| Additions during the year | 25,215 | - |
| **Balance – End of year** | 26,632 | 1,417 |
| **Accumulated depreciation:** | | |
| Balance – Beginning of year | - | - |
| Additions during the year | (3,108) | - |
| **Balance – End of year** | (3,108) | - |
| **Net book value:** | | |
| Balance – Beginning of year | 1,417 | 1,417 |
| Increase (decrease) during the year | 22,107 | - |
| **Balance – End of year** | 23,524 | 1,417 |

## 10 Intangible asset – CARDS

| | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| **Cost:** | | |
| **Balance – Beginning and end of year** | 750,000 | 750,000 |
| **Accumulated depreciation:** | | |
| Balance – Beginning of year | (300,000) | (150,000) |
| Additions during the year | (150,000) | (150,000) |
| **Balance – End of year** | (450,000) | (300,000) |
| **Net book value:** | | |
| Balance – Beginning of year | 450,000 | 600,000 |
| Increase (decrease) during the year | (150,000) | (150,000) |
| **Balance – End of year** | 300,000 | 450,000 |

See note 6.

(in Canadian dollars, except per share amounts)

## 11 Exploration and evaluation assets

***Ashuanipi***

On January 10, 2018, the Company acquired 283 claims comprising the Ashuanipi Gold Property.

During the year ended February 28, 2019, the Company acquired an additional 6 claims, bringing the total number of claims comprising this property to 289.

During the year ended February 29, 2020, the Company incurred $119,975 (year ended February 28, 2019 - $201,051) of exploration and evaluation expenditures on assessing the potential of this property.

On March 20, 2018, the Company entered into a purchase agreement to acquire 9 mining claims at the Lac Guillaume property, Quebec. Pursuant to the terms of the agreement, the Company issued 150,000 common shares, valued at $11,250, to acquire the claims. The vendor retained a 1% NSR on the property. The Company can reduce the NSR to 0.5% at any time by paying to the vendor the amount of $500,000.

On October 2, 2019, the Company renewed 115 claims for this property at a cost of $13,646. This amount was recorded in the consolidated statement of operations.

On February 21, 2020, the Company entered into the Properties Option Agreement Ashuanipi Project (the “Option Agreement”) with private company Flow Metals Corp. (“FM”), pursuant to which FM was granted a sole and exclusive option to acquire a 100% undivided interest in the Company’s rights, title and interest in and to the 115 claims comprising the Ashuanipi Gold Property. In order for FM to acquire an undivided 100% interest in the properties it must:

- Issue 100,000 common shares (received) to the Company within 10 days of the date of the Option Agreement;
- Issue an additional 500,000 common shares to the Company on the date that it becomes a public company;
- Sign a $60,000 contract, payable in cash, to use CARDS on another project of the company within 45 days of becoming a public company;
- Pay $30,000 in cash and issue 500,000 common shares to the Company by February 19, 2021;
- Pay $40,000 in cash and issue 500,000 common shares to the Company by February 19, 2022
- Pay $50,000 in cash and issue 500,000 common shares to the Company by February 19, 2023; and
- Spend $450,000 on exploration within the first three years of the Option Agreement.

FM granted the Company a 2% net smelter return royalty (the “NSR”) in respect of each property upon which the purchase option is exercised. FM has the option to acquire 1% of the NSR upon payment of $750,000 at any time within five years of the Economic Discovery (not defined).

FM has the right to terminate the Option Agreement at any time without further obligation to the Company and any payments made will be retained by the Company. The Option Agreement will terminate immediately if FM fails to comply with the first two conditions noted above.

See note 26.

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(in Canadian dollars, except per share amounts)

## 11 Exploration and evaluation assets (continued)

***Chapais***

The Chapais property consists of 36 claims totaling 1,560 ha.

On December 5, 2017, the Company signed an option agreement with Everton Resources Inc. ("Everton") pursuant to which Everton had the option to acquire up to a 75% undivided interest in 7 of the claims making up this property. During the year ended February 28, 2019, Everton did not complete the expenditure requirements and the option agreement was cancelled.

During the years ended February 29, 2020 and February 28, 2019, the Company did not incur any exploration and evaluation expenditures on this property.

***Wachigabau Lake***

The Wachigabau Lake property includes 33 claims totaling 1,842 ha.

During the year ended February 29, 2020, the Company incurred exploration and evaluation expenditures of $Nil (year ended February 28, 2019 - $99,569) on this property. During the year ended February 28, 2019, the Company paid $2,115 to renew these claims.

***Lasarre***

The Laparre property consists of 4 claims totaling 168 ha. During the years ended February 29, 2020 and February 28, 2019, the company did not incur any exploration and evaluation expeditures on this property.

## 12 Accounts payable and accrued liabilities

| | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| Accounts payable (note 19) | **16,802** | 51,790 |
| Accrued liabilities (note 19) | **102,502** | 35,311 |
| | **119,304** | 87,101 |

## 13 Deferred revenue

| | February 29 2020 $ | February 28, 2019 $ |
|---|---|---|
| **Balance – Beginning of year** | - | - |
| Payments for revenue prior to performance obligation | **77,963** | - |
| Recognized as revenue | - | - |
| **Balance – End of year** | **77,963** | - |

(in Canadian dollars, except per share amounts)

## 14 Flow-through share premium liability

| | February 29 2020 $ | February 28, 2019 $ |
|---|---|---|
| **Balance – Beginning of year** | - | 94,346 |
| Reduction of flow-through share premium liability on qualifying expenitures | - | (94,346) |
| **Balance – End of year** | - | - |

The Company periodically issues flow-through shares to fund Canadian exploration programs with any resulting flow-through premium recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow-through premium is recorded as income. Based on Canadian tax law, the Company is required to spend the amounts raised on eligible exploration expenditures by the end of the year subsequent to the date the expenditures were renounced.

As at February 28, 2019, the $330,000 of flow-through funds raised in fiscal 2018 had been spent.

## 15 Share capital and warrants

### a) Share issuance

***Fiscal 2020***

(i) On March 11, 2019, the Company completed a non-brokered private placement by issuing 10,000,000 units of the Company for gross proceeds of $500,000. Each unit consisted of (i) one common share at a price of $0.05 per common share and (ii) one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share in the capital of the Company at a price of $0.05 per common share for a period of 24 months expiring March 11, 2021.

In connection with the private placement, the Company paid total cash issuance costs of $12,150.

The 10,000,000 warrants issued in connection with this private placement have been recorded at a value of $220,138 based on the proportional method using the Black Scholes pricing model, using the using the following assumptions: share price of $0.105, an average exercise price of $0.05, risk free interest rate of 1.66%, expected life of warrants of 2 years, annualized volatility rate of 138.5% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

(ii) On April 11, 2019, the Company completed a non-brokered private placement by issuing 2,062,500 units of the Company for gross proceeds of $165,000. Each unit consisted of (i) one common share at a price of $0.08 per common share and (ii) one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share in the capital of the Company at a price of $0.095 per common share for a period of 60 months expiring April 11, 2024.

In connection with the private placement, the Company paid total cash issuance costs of $4,005.

## 15 Share capital and warrants (continued)

### a) Share issuance (continued)

The 2,062,500 warrants issued in connection with this private placement have been recorded at a valueof $81,027 based on the proportional method using the Black Scholes pricing model, using the using the following assumptions: share price of $0.125, an average exercise price of $0.095, risk free interest rate of 1.59%, expected life of warrants of 5 years, annualized volatility rate of 181.89% (based on the Company's historical volatility for 5 years up to the issuance date) and dividend rate of 0%.

***Fiscal 2019***

(iii) On March 20, 2018, the Company issued 150,000 common shares pursuant to the Lac Guillaume purchase agreement (note 11). These shares had a fair value of $11,250.

### b) Warrants exercised

***Fiscal 2020***

(i) On March 1, 2019, 600,000 warrants were exercised at $0.07 for gross proceeds of $42,000. An amount of $12,945 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

(ii) On March 5-11, 2019, 1,200,000 warrants were exercised at $0.16 for gross proceeds of $192,000. An amount of $49,320 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

(iii) On October 15, 2019, 200,000 warrants were exercised at $0.05 for gross proceeds of $10,000. An amount of $4,403 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

(iv) On November 29, 2019, 3,200,000 warrants were exercised at $0.05 for gross proceeds of $160,000. An amount of $70,444 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

(v) On December 4, 2019, 526,320 warrants were exercised at $0.095 for gross proceeds of $50,000. An amount of $20,670 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

(vi) On December 24, 2019, 196,000 warrants were exercised at $0.065 for gross proceeds of $12,740. An amount of $10,094 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

(vii) On January 15, 2020, 42,000 warrants were exercised at $0.065 for gross proceeds of $2,730. An amount of $2,869 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

***Fiscal 2019***

(viii) On February 26, 2019, 100,000 warrants were exercised at $0.07 for gross proceeds of $7,000. An amount of $2,160 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to share capital.

(in Canadian dollars, except per share amounts)

## 15 Share capital and warrants (continued)

### c) Warrants expired

***Fiscal 2020***

(i) On April 7, 2019, 4,350,000 warrants, with an exercise price of $0.16 per warrant, expired. An amount of $178,785 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

(ii) On April 7, 2019, 76,000 warrants, with an exercise price of $0.16 per warrant, expired. An amount of $4,841 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

(iii) On September 27, 2019, 500,000 warrants, with an exercise price of $0.16 per warrant, expired. An amount of $18,193 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

***Fiscal 2019***

(iv) On May 12, 2018, 4,230,000 warrants, with an exercise price of $0.07 per warrant, expired. An amount of $46,850 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

(v) On August 12, 2018, 1,500,000 warrants, with an exercise price of $0.10 per warrant, expired. An amount of $155,178 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

(vi) On October 10, 2018, 3,400,000 warrants, with an exercise price of $0.12 per warrant, expired. An amount of $156,600 representing the fair value allocated at the date of issue for the warrants was reclassified from the warrants reserve to the contributed surplus reserve.

### d) Changes in Company warrants are as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Balance, February 28, 2018** | **25,494,000** | **0.10** |
| Exercised | (100,000) | 0.07 |
| Expired | (9,130,000) | 0.09 |
| **Balance, February 28, 2019** | **16,264,000** | **$ 0.10** |
| Exercised | (5,964,320) | 0.08 |
| Expired | (4,926,000) | 0.16 |
| Issued | 12,062,500 | 0.06 |
| **Balance, February 29, 2020** | **17,436,180** | **$ 0.06** |

The weighted average contractual life of all warrants outstanding as at February 29, 2020, is 18.9 months.

(in Canadian dollars, except per share amounts)

## 15 Share capital and warrants (continued)

### d) Changes in Company warrants are as follows (continued):

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

| Number of warrants | Exercise price $ | Expiry Date |
|---|---|---|
| 9,300,000 (1) | 0.07 | January 19, 2022 |
| 6,600,000 | 0.05 | March 11, 2021 |
| 1,536,180 | 0.095 | April 11, 2024 |

(1) On November 25, 2019, the Board of Directors approved an extension of 24 months to the exercisable period. Accordingly, these warrants will now expire on January 19, 2022. Exchange approval was received on December 3, 2019.

## 16 Share-based payments

The Company has a stock option plan whereby the Board of Directors may grant to directors, officers or consultants of the Company options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The Board of Directors approved a ‘‘rolling’’ stock option plan (the “Plan”) reserving a maximum of 10% of the shares of the Company at the time of the stock option grant, with a vesting period allowed of zero up to 18 months, when the grant of option is made at market price, for the benefit of its directors, officers, employees and consultants. The Plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of Directors.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, an officer, an employee or consultant of the Company and between three and 12 months after the beneficiary has left.

The options granted in 2020 and 2019 were granted at a price equal to the closing market value of the shares, the previous day before the grant.

(in Canadian dollars, except per share amounts)

## 16 Share-based payments (continued)

The changes to the number of stock options granted by the Company and their weighted average exercise price are as follows:

| | February 29 2020 | | February 28 2019 | |
|---|---|---|---|---|
| **Stock options** | **Number** | **Weighted average exercise price $** | **Number** | **Weighted average exercise price $** |
| **Balance – Beginning of year** | 6,275,000 | 0.07 | 4,475,000 | 0.08 |
| Granted | 1,550,000 | 0.095 | 1,800,000 | 0.05 |
| Expired | (2,625,000) | 0.066 | - | - |
| Exercised | (1,000,000) | 0.06 | - | - |
| **Balance – End of year** | 4,200,000 | 0.08 | 6,275,000 | 0.07 |
| **Options exercisable – End of year** | 3,937,500 | 0.085 | 6,275,000 | 0.07 |

### a) Options granted

***Fiscal 2020***

(i) On April 25, 2019, the Company granted 950,000 options to an officer and a director. The options are exerciseable for five years at an exercise price of $0.11 per option. The stock options have a Black-Scholes option pricing value of $105,082 which has been expensed in the consolidated statement of operations.

(ii) On November 21, 2019, the Company granted 350,000 options to an IR firm pursuant to an Investor Relations Agreement (note 25). The options vest in four equal tranches, quarterly over a 12-month period. They are exerciseable for 24 months at an exercise price of $0.07 per option. The stock options have a Black-Scholes option pricing value of $16,552 which is being expensed in the consolidated statement of operations as they vested.

(iii) On November 25, 2019, the Company granted 250,000 options to an employee, consultant and an officer. The options are exerciseable for five years at an exercise price of $0.07 per option. The stock options have a Black-Scholes option pricing value of $16,640 which has been expensed in the consolidated statement of operations.

(in Canadian dollars, except per share amounts)

## 16 Share-based payments (continued)

### a) Options granted (continued)

***Fiscal 2019***

(iv) On September 18, 2018, the Company granted 1,800,000 options to officers and directors. The options are exerciseable for five years at an exercise price of $0.05 per option. The stock options have a Black-Scholes option pricing value of $51,496 which has been expensed in the consolidated statement of operations.

### b) Options exercised

***Fiscal 2020***

(i) On March 1, 2019, 500,000 stock options where exercised at an average price of $0.07 per share for gross proceeds of $35,000. An amount of $28,282 representing the fair value allocated at the date of issue for the options was reclassified from the contributed surplus reserve to share capital.

(ii) On April 1, 2019, 300,000 stock options where exercised at a price of $0.05 per share for gross proceeds of $15,000. An amount of $8,582 representing the fair value allocated at the date of issue for the options was reclassified from the contributed surplus reserve to share capital.

(iii) On November 28, 2019, 200,000 stock options where exercised at an average price of $0.05 per share for gross proceeds of $10,000. An amount of $11,573 representing the fair value allocated at the date of issue for the options was reclassified from the contributed surplus reserve to share capital.

***Fiscal 2019***

No options were exercised during the year ended February 28, 2019.

For the year ended February 29, 2020, the share-based compensation charged to the consolidated statement of operations was $125,860 (year ended February 28, 2019 – $51,496).

As at February 29, 2020, the Company had the following stock options outstanding:

| Expiry date | Exercise price $ | Options granted | Number of options exercisable | Remaining contracts life (years) |
|---|---|---|---|---|
| October 31, 2021 | 0.07 | 600,000 | 600,000 | 1.67 |
| November 21, 2021 | 0.07 | 350,000 | 87,500 | 1.73 |
| May 22, 2022 | 0.10 | 500,000 | 500,000 | 2.23 |
| May 31, 2022 | 0.10 | 750,000 | 750,000 | 2.25 |
| September 18, 2023 | 0.05 | 800,000 | 800,000 | 3.55 |
| April 25, 2024 | 0.11 | 950,000 | 950,000 | 4.16 |
| November 25, 2024 | 0.07 | 250,000 | 250,000 | 4.74 |
| | | 4,200,000 | 3,937,500 | 2.95 |

(in Canadian dollars, except per share amounts)

## 16 Share-based payments (continued)

### b) Options exercised (continued)

During the year ended February 29, 2020, share-based compensation fair value was calculated on options based on the following assumptions:

| Grant Date | April 25, 2019 | November 21, 2019 | November 25, 2019 |
|---|---|---|---|
| Number of options | 950,000 | 350,000 | 250,000 |
| Exercise price | $0.11 | $0.07 | $0.07 |
| Risk free interest | 1.54% | 1.52% | 1.53% |
| Expected volatility | 182.32% | 137.92% | 174.5% |
| Expected life (years) | 5 | 2 | 5 |
| Estimated fair value per option | $0.11 | $0.047 | $0.067 |
| Estimated fair value | $105,082 | $16,552 | $16,640 |
| Forfeiture rate | 0.00% | 0.00% | 0.00% |

During the year ended February 28, 2019, share-based compensation fair value was calculated on options based on the following assumptions:

| Grant Date | September 18, 2018 |
|---|---|
| Number of options | 1,800,000 |
| Exercise price | $0.05 |
| Risk free interest | 2.28% |
| Expected volatility | 185.44% |
| Expected life (years) | 5 |
| Estimated fair value per option | $0.029 |
| Estimated fair value | $51,496 |
| Forfeiture rate | 0.00% |

The underlying expected volatility was determined by reference to historical data of the Company's shares on the Exchange over the expected average life of the options. No special features inherent in the options granted were incorporated into measurement of fair value.

## 17 Loss per share

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: warrants and stock options. For both, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company’s outstanding shares for the year), based on the exercise prices attached to the warrants and stock options. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of the warrants and stock options. For the years ended February 29, 2020 and February 28, 2019, all share options and warrants were anti-dilutive since the Company reported a net loss.

(in Canadian dollars, except per share amounts)

## 17 Loss per share (continued)

The calculation of basic and diluted loss per share is based on the net loss for the year divided by the weighted average number of shares outstanding during the same year.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Net loss for the year | (871,181) | (839,682) |
| Weighted average number of common share oustanding | 79,976,998 | 63,284,390 |
| Dilutive share options and warrants | - | - |
| Weighted average number of shares outstanding for diluted earnings per share | 79,976,998 | 63,284,390 |
| Basis and diluted loss per share | (0.01) | (0.01) |

## 18 General and administration

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Bad debts (notes 7 and 19) | (57,000) | - |
| Consulting fees and salaries (note 19) | (264,407) | (242,882) |
| Travel and promotion (note 25) | (162,697) | (31,337) |
| Shareholder information | (43,298) | (30,053) |
| Professional fees (note 19) | (211,263) | (96,134) |
| Office and general expense | (64,882) | (46,743) |
| | (803,547) | (447,149) |

## 19 Related party balances and transactions

Related parties include the Board of Directors and key management personnel as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. These transactions were measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

### (a) Transactions with key management personnel

Remuneration of key management personnel of the Company was as follows:

| **Related party transactions** | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Consulting fees | 136,822 | 99,000 |
| Commissions – CARDS (CEO) | 67,000 | - |
| Salaries and benefits (CEO) | 119,998 | 123,200 |
| Share-based compensation | 108,410 | 51,496 |
| | 432,230 | 273,696 |

(in Canadian dollars, except per share amounts)

## 19 Related party balances and transactions (continued)

### (a) Transactions with key management personnel (continued)

As at February 29, 2020, key management personnel were owed $62,150 (2019 - $39,281), which is included in accounts payables and accrued liabilities.

The Company entered into the following transactions with key management personnel:

On May 24, 2017, the Company entered into an employment contract (the “Contract”) with the Company’s Chief Executive Officer (the “CEO”). Pursuant to the Contract, the CEO is entitled to a commission of 10% on sales of CARDS services and 5% on all exploration-related contracts and an annual performance bonus equivalent to 10% of contracts greater than $300,000, CARDS service agreements and/or data mining projects.

On March 1, 2019, the Company entered into a consulting agreement (the “Agreement”) with a company controlled by the Chief Financial Officer of the Company for provision of the specified services. Pursuant to the Agreement, the consultant will receive a fee of $5,000 per month as total compensation. The consultant can terminate the Agreement by giving two months written notice. The Company can terminate the Agreement by giving written notice and paying three times the monthly fee. If the consultant’s position is terminated without cause or following a change of control, the Company must pay the consultant an amount equal to 12 times the monthly fee. The Agreement is for a term of 12 months with a renewable option period.

On April 23, 2019, the Company entered into a Services Agreement (the “Agreement”) with a consultant for the provision of the specified services which include acting as the Chairman of the Company’s Board of Directors. Pursuant to the Agreement, the consultant received a grant of 800,000 stock options, will receive a fee of $5,000 per month as compensation and a bonus will be considered when the Company’s share price reaches $0.35 and, therafter, $0.45. Either party can terminate the Agreement (i) for convenience on the 30th day after giving written notice of termination or (ii) immediately for breach by giving written notice of termination. Within 30 days after the effective date of termination, the Company must pay all amounts owing to the consultant for services completed and accepted by the Company prior to the termination date. The term of the Agreement will continue until the later of the one-year term or such other date as may be agreed upon.

### (b) Transactions with related companies

As at February 29, 2020, a related company was owed $35,414 (2019 - $Nil), which is included in accounts payable and accrued liabilities.

| **Related party transactions** | **2020** **$** | **2019** **$** |
|---|---|---|
| Everton – shared costs | - | 10,718 |
| Diagnos – consulting fees | 102,951 | 70,216 |
| Diagnos – commissions – CARDS | 33,500 | - |
| | 136,451 | 80,394 |

(in Canadian dollars, except per share amounts)

## 19 Related party balances and transactions (continued)

### (b) Transactions with related companies (continued)

The Company entered into the following transactions with related companies:

Under an agreement, which was signed on March 25, 2013 between the Company and Everton Resources Inc. ("Everton"), the Company reimbursed the cost of shared salaries and benefits, rent and office expenses paid by Everton (which shared common management). The Company received $30,000 in option payments from Everton pursuant to the Chapais option agreement. Of this amount, $20,000 is an amount receivable as at February 29, 2020 and is included in allowance for doubtful accounts and bad debts (notes 7 and 18).

The Company and Diagnos share a common director and the Company pays a commission of 5% of CARDS revenue to Diagnos pursuant to the Asset Purchase Agreement (note 6).

## 20 Income tax

The Company's income tax provision consists of the following reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective rate as follows:

| | **2020** **$** | 2019 $ |
|---|---|---|
| Net loss before income taxes | (871,181) | (934,028) |
| Expected income taxes recovery | (235,219) | (252,188) |
| Other permanent and temporary differences | 155,211 | 148,070 |
| Change in benefit of tax assets not recognized | 80,008 | 9,772 |
| Income tax recovery (note 14) | - | (94,346) |

As at February 29, 2020 and February 28, 2019 the amounts of deductible temporary differences for which no deferred tax assets were recognized, were as follows:

| | **2020** **$** | 2019 $ |
|---|---|---|
| Income tax loss carry forward | 11,526,000 | 11,097,000 |
| Capital losses carried forward | 8,913,000 | 8,913,000 |
| Resources properties | 7,228,000 | 7,213,000 |
| Fixed and intangible assets | 479,000 | 328,000 |
| Royalty agreements | 24,000 | 24,000 |
| Share issue costs | 27,000 | 22,000 |
| Investments | 185,000 | - |
| | 28,382,000 | 27,597,000 |

(in Canadian dollars, except per share amounts)

## 20 Income tax (continued)

As at February 29, 2020, the Company has income tax non-capital loss carry forwards for which no deferred tax asset has been recorded in the consolidated statements of financial position that can be carried forward over the following years:

| Year incurred | Federal $ | Expiration |
|---|---|---|
| 2006 | 626,000 | 2026 |
| 2007 | 827,000 | 2027 |
| 2008 | 945,000 | 2028 |
| 2009 | 1,183,000 | 2029 |
| 2010 | 792,000 | 2030 |
| 2011 | 1,395,000 | 2031 |
| 2012 | 1,379,000 | 2032 |
| 2013 | 1,088,000 | 2033 |
| 2014 | 479,000 | 2034 |
| 2015 | 685,000 | 2035 |
| 2016 | 184,000 | 2036 |
| 2017 | 252,000 | 2037 |
| 2018 | 871,000 | 2038 |
| 2019 | 529,000 | 2039 |
| 2020 | 291,000 | 2040 |
| | 11,526,000 | |

## 21 Segmented information

The Company has determined that it operates in two segments, being acquisition, exploration and development of mineral properties for economically recoverable reserves in Canada and providing services using CARDS.

## 22 Capital management policies and procedures

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties and to further develop its CARDS consulting services business as described in notes 4 g) and 8. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity attributable to equity holders of the parent company, which is comprised of share capital, reserves and deficit which as at February 29, 2020, totalled a surplus of $866,946 (February 28, 2019 – a surplus of $598,951).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities.

In order to carry out its business plans and pay for general and administration costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

(in Canadian dollars, except per share amounts)

## 22 Capital management policies and procedures (continued)

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;

(ii) focusing financing exploration expenditures on those properties considered to have the best potential; and

(iii) Exploring alternative sources of liquidity by providing services using CARDS.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company thinks there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended February 29, 2020 and the year ended February 28, 2019.

## 23 Financial instruments

### Measurement categories

As explained in note 4 e), financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of operations. Those categories are amortized cost, fair value through profit or loss and fair value through other comprehensive income and, for liabilities, amortized cost and fair value through profit or loss. The following table shows the carrying values of assets and liabilities for each of these categories as at February 29, 2020 and February 28, 2019.

| Financial instruments | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| Assets – Amortized cost | | |
| Cash | 104,677 | 175,006 |
| Amounts receivable (except G/QST) (note 7) | 142,821 | 20,000 |
| Subscription paid | 100,000 | - |
| | 347,498 | 195,006 |
| Assets – Fair value | | |
| Marketable securities (note 8) | 393,534 | - |
| | 741,032 | 195,006 |
| Liabilities – Amortized cost | | |
| Accounts payable and accrued liabilities (note 12) | 119,304 | 87,101 |

As at February 29, 2020, the carrying values of cash, amounts receivable, subscription paid and accounts payable and accrued liabilities approximate their fair value due to their relative short maturities.

## 23 Financial instruments (continued)

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized at fair value in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. As at February 29, 2020, marketable securities were categorized as level 1. As at February 29, 2020 and February 28, 2019, no other financial assets and or liabilities were categorized as level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). As at February 29, 2020 and February 28, 2019, no financial assets and liabilities were categorized as level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data. As at February 29, 2020 and February 28, 2019, no financial assets and liabilities were categorized as level 3.

## 24 Financial risks factors

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, fair value risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Company’s overall risk management program seeks to minimize potential adverse effects on the Company’s financial performance.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and amounts receivable. The Company reduces its credit risk by maintaining part of its cash in financial instruments held with a Canadian chartered bank.

The Company's management considers that financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Company's financial assets are secured by collateral or other credit enhancements.

ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Management estimates that the funds as at February 29, 2020, will not be sufficient to meet the Company’s obligations and budgeted expenditures through February 28, 2021. Any additional funding may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. Cash flow forecasting is performed by the Company which monitors rolling forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Surplus cash over and above balances required for working capital management are invested in interest bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. Accounts payable and accrued

## 24 Financial risks factors (continued)

liabilities as at February 29, 2020, consist of items that should be settled within approximately 30 days. See note 2 for information on going concern.

iii) 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.

a) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is therefore not exposed to fluctuations in the value of assets and liabilities as they are denominated in Canadian dollars.

b) Equity price risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

As at February 29, 2020, the Company holds shares of publicly listed companies (note 8). The Company is exposed to market risk from unfavourable or favourable market conditions.

## 25 Commitments and contingencies

Flow-through shares

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is committed to using the financing proceeds for mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements; or
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Environmental

The Company’s exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(in Canadian dollars, except per share amounts)

## 25 Commitments and contingencies (continued)

Investor relations

On November 20, 2019, the Company entered into an Investor Relations Agreement (the "Agreement") with a company to provide investor awareness services. Pursuant to the Agreement, the company received 350,000 options (note 16) and will receive a monthly fee of $7,500. Either party can terminate the Agreement at any time by giving 30 days written notice. The Agreement is for term of 24 months.

## 26 Events after the reporting period

On April 21, 2020, the Company entered into an Amendment Agreement to the Option Agreement (note 11). Pursuant to the Amendment Agreement, the condition to pay $30,000 in cash and issue 500,000 common shares to the Company by February 19, 2021 was deleted and replaced with the following conditions:

- Issue 500,000 common shares to the Company by February 19, 2021; and
- Pay $30,000 in cash within 13 months of becoming a public company.

On June 12, 2020, the Company closed a non-brokered private placement for 6,740,000 units of the Company for gross proceeds of $337,000. Each unit consists of (i) one common share at a price of $0.05 per common share and (ii) one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share in the capital of the Company at a price of $0.07 per common share for a period of 24 months expiring June 12, 2022. Issuance of the securities is pending Exchange approval and all securities issued are subject to a four-month hold period.