

SEAHAWK VENTURES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020

These unaudited condensed interim financial statements of Seahawk Ventures Inc. for the nine months ended February 29, 2020 have been prepared by management and approved by the Board of Directors. These financial statements have not been reviewed by the Company's external auditors.

SEAHAWK VENTURES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	February 29, 2020	May 31, 2019
ASSETS		
Current		
Cash	\$ 28,974	\$ 451,541
Receivables (Note 5)	63,597	126,461
Prepays	1,312	22,500
Exploration advances	<u>2,032</u>	<u>22,752</u>
Total current assets	95,915	623,254
Exploration and evaluation assets (Note 4)	<u>2,132,877</u>	<u>1,840,800</u>
Total assets	<u>\$ 2,228,792</u>	<u>\$ 2,464,054</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 111,293	\$ 72,112
Due to related parties (Note 9)	371,870	370,670
Flow-through share premium (Note 8)	<u>-</u>	<u>95,878</u>
Total current liabilities	<u>483,163</u>	<u>538,660</u>
Shareholders' equity		
Share capital (Note 7)	7,561,957	7,410,057
Reserves (Note 7)	2,641,514	2,319,599
Obligation to issue shares (Notes 7, 12)	6,250	-
Deficit	<u>(8,464,092)</u>	<u>(7,804,262)</u>
	<u>1,745,629</u>	<u>1,925,394</u>
Total liabilities and shareholders' equity	<u>\$ 2,228,792</u>	<u>\$ 2,464,054</u>

Nature and continuance of operations (Note 1)
Events subsequent to the reporting period (Note 12)

Approved and authorized on behalf of the Board on April 8, 2020:

<u>"Giovanni Gasbarro"</u>	Director	<u>"Bruno Gasbarro"</u>	Director
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The accompanying notes are an integral part of these financial statements.

SEAHAWK VENTURES INC.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended February 29, 2020	Three Months Ended February 28, 2019	Nine Months Ended February 29, 2020	Nine Months Ended February 28, 2019
OPERATING EXPENSES				
Consulting	\$ -	\$ -	\$ 3,200	\$ -
Insurance	1,243	-	3,662	-
Interest and bank charges	7,054	435	7,358	1,121
Interest income	-	(521)	(3,309)	(521)
Management fee (Note 9)	-	-	-	75,000
Office and miscellaneous	255	1,043	707	1,318
Professional fees	10,604	4,900	42,008	24,240
Shareholder cost and corporate communication	11,986	19,497	38,911	31,006
Share-based compensation (Note 7)	139,289	139,864	321,915	139,864
Transfer agent and filing fees	5,701	3,256	11,658	11,427
Travel	-	-	-	1,471
Flow-through share premium recovery (Note 8)	-	-	(95,878)	-
Write-off of exploration and evaluation assets (Note 4)	329,598	-	329,598	-
Loss and comprehensive loss for the period	\$ (505,730)	\$ (168,474)	\$ (659,830)	\$ (284,926)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	30,415,111	29,619,193	30,178,359	25,113,366

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

SEAHAWK VENTURES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Nine Months Ended February 29, 2020	Nine Months Ended February 28, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (659,830)	\$ (284,926)
Items not involving cash:		
Stock-based compensation	321,915	139,864
Flow-through share premium recovery	(95,878)	-
Expenses in the obligation to issue shares	6,250	-
Write-off of exploration and evaluation assets	325,598	-
Changes in non-cash working capital items:		
Receivables	(14,677)	(2,916)
Prepays	21,188	(28,000)
Accounts payable and accrued liabilities	(15,070)	(5,929)
Due to related parties	-	75,834
Net cash used in operating activities	<u>(106,504)</u>	<u>(106,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(452,683)	(179,197)
Exploration advances	<u>20,720</u>	<u>(29,544)</u>
Net cash used in investing activities	<u>(431,963)</u>	<u>(208,741)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	115,900	912,240
Share issue costs	-	(59,500)
Proceeds from option exercise	-	40,000
Proceeds of loan from related party	<u>-</u>	<u>25,000</u>
Net cash provided by financing activities	<u>115,900</u>	<u>917,740</u>
Change in cash for the period	(422,567)	602,926
Cash, beginning of period	<u>451,541</u>	<u>19,093</u>
Cash, end of period	<u>\$ 28,974</u>	<u>\$ 622,019</u>

Supplemental disclosure with respect to cash flows (Note 10)

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

SEAHAWK VENTURES INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Obligation to issue shares	Reserves	Deficit	Total
Balance, May 31, 2018	28,884,772	\$ 5,917,342	\$ -	\$ 2,204,490	\$ (7,512,469)	\$ 609,363
Shares issued for exploration and evaluation assets	1,850,000	503,400	-	-	-	503,400
Shares issued pursuant to option exercise	100,000	64,755	-	(24,755)	-	40,000
Shares issued in private placement	2,350,750	912,240	-	-	-	912,240
Share issuance costs	-	(59,500)	-	-	-	(59,500)
Flow-through share premium liability	-	(160,000)	-	-	-	(160,000)
Escrowed shares received and cancelled	(3,517,176)	-	-	-	-	-
Share-based compensation	-	-	-	139,864	-	139,864
Loss for the period	-	-	-	-	(284,926)	(284,926)
Balance, February 28, 2019	29,668,346	7,178,237	-	2,319,599	(7,797,395)	1,700,441
Shares issued for exploration and evaluation assets	-	197,600	-	-	-	197,600
Shares issued to settle related party loan	236,000	34,220	-	-	-	34,220
Loss for the period	-	-	-	-	(6,867)	(6,867)
Balance, May 31, 2019	29,904,346	7,410,057	-	2,319,599	(7,804,262)	1,925,394
Shares issued for exploration and evaluation assets	200,000	36,000	-	-	-	36,000
Shares issued in private placement	463,600	115,900	-	-	-	115,900
Obligation to issue shares	-	-	6,250	-	-	6,250
Share-based compensation	-	-	-	321,915	-	321,915
Loss for the period	-	-	-	-	(659,830)	(659,830)
Balance, February 29, 2020	30,567,946	\$ 7,561,957	\$ 6,250	\$ 2,641,514	\$ (8,464,092)	\$ 1,745,629

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

SEAHAWK VENTURES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020

1. NATURE AND CONTINUANCE OF OPERATIONS

Seahawk Ventures Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on January 16, 2007. The Company’s registered and records office is located at suite 1700 – 666 Burrard Street, Vancouver, BC V6C 2X8 and its head office is located at 909 Bowron Street, Coquitlam, BC V3J 7W3.

The Company currently holds a 100% interest in the Mystery Property, Touchdown Property, Xtra Point Property, and Blitz Property, all located in the Urban-Barry Greenstone Belt region within the Abitibi sub-province, Quebec, Canada (Note 4).

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company incurred a net loss of \$659,830 for the nine months ended February 29, 2020 and as of that date the Company’s accumulated deficit was \$8,464,092 (May 31, 2019 - \$7,804,262). The Company’s ability to continue as a going concern is dependent upon its ability to attain profitable operations, and to continue to raise funds or obtain borrowing from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These financial statements should be read in conjunction with the Company’s audited financial statements for the fiscal year ended May 31, 2019.

Basis of measurement and presentation currency

These financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

2. BASIS OF PREPARATION (cont'd...)

Use of estimates and critical judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

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

a) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

b) Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgement, measurement estimates and uncertainties as those disclosed in Note 3 of the Company's audited financial statements for the year ended May 31, 2019.

Adoption of new accounting policies

The Company adopted IFRS 16, Lease, on June 1, 2019. The adoption of the new standard has no significant impact on the Company's financial statements.

SEAHAWK VENTURES INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020

4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

	<i>Mystery Property</i>	<i>Touchdown Property</i>	<i>Xtra Point Property</i>	<i>Skyfall Property</i>	<i>Blitz Property</i>	<i>Total</i>
Balance, May 31, 2018	\$ 466,513	\$ 393,020	\$ 4,200	\$ -	\$ -	\$ 863,733
Acquisition - cash	-	-	-	25,000	8,000	33,000
Acquisition - shares	-	-	-	74,000	627,000	701,000
Exploration						
Mining taxes	-	-	-	6,656	6,971	13,627
Survey	-	-	-	123,628	157,855	281,483
Reports	2,749	22,749	-	-	-	25,498
Quebec tax credit	(38,771)	(38,770)	-	-	-	(77,541)
Balance, May 31, 2019	430,491	376,999	4,200	229,284	799,826	1,840,800
Acquisition - cash	-	-	-	25,000	-	25,000
Acquisition - shares	-	-	-	36,000	-	36,000
Exploration						
Assay	-	9,151	-	300	1,188	10,639
Mining taxes	3,695	2,186	131	-	2,571	8,583
Drilling	82,341	231,367	-	-	73,863	387,571
Equipment rental	3,035	7,064	-	-	6,556	16,655
Survey	281	4,800	-	-	5,400	10,481
Prospecting	9,454	18,500	6,548	39,014	53,230	126,746
Write-off of exploration and evaluation assets	-	-	-	(329,598)	-	(329,598)
Balance, February 29, 2020	\$ 529,297	\$ 650,067	\$ 10,879	\$ -	\$ 942,634	\$ 2,132,877

SEAHAWK VENTURES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020

4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES (cont’d...)

Mystery Property, Quebec

On June 9, 2017, the Company entered into a Property Purchase Agreement (the “Agreement”) with RSD Capital Corp. and Michel A. Lavoie (the “Vendors”) to acquire a 100% undivided interest in the Mystery Property comprising 66 mineral claims in the Urban-Barry Greenstone Belt region within the Abitibi sub-province, Quebec, Canada.

The Agreement provides that the Company will acquire a 100% interest in the Mystery Property in consideration for payment to the Vendors of an aggregate of \$50,000 (paid), and issuing total of 1,000,000 common shares (issued, valued at \$280,000) of the Company. The Vendors will retain a 2% NSR on the Mystery Property. The Company may elect to purchase one-half of the NSR from the Vendors for a payment of \$500,000, thereby leaving the Vendors with the remaining 1%.

Touchdown Property, Quebec

On August 2, 2017, the Company entered into a Property Purchase Agreement (the “Agreement”) with RSD Capital Corp. and Michel A. Lavoie (the “Vendors”) to acquire the Touchdown Property comprising 48 mineral claims in the Urban-Barry Greenstone Belt region within the Abitibi sub-province, Quebec, Canada.

The Agreement provides that the Company will acquire a 100% interest in the Touchdown Property in consideration for payment to the Vendors of an aggregate of \$60,000 (paid), and issuing total of 400,000 common shares (issued, valued at \$156,000) of the Company. The Vendors will retain a 2% NSR on the Touchdown Property. The Company may elect to purchase one-half of the NSR from the Vendors for a payment of \$1,000,000, thereby leaving the Vendors with the remaining 1%.

The Company also issued 150,000 shares (valued at \$58,500) as a finder’s fee in connection with the acquisition.

Xtra Point Property, Quebec

In April 2018, the Company acquired from an arm's length vendor a 100% interest in the Xtra Point Property located in the Urban BarryGold Camp, Barry Township, Québec. In consideration, the Company issued the vendor 10,000 common shares (issued, valued at \$4,200). The vendor retains a 2% net smelter return royalty on the property. The Company has the option to reduce the royalty to a 0.5% net smelter return royalty for a cash payment to the vendor of \$1,000,000.

Skyfall Property, Quebec

On July 9, 2018, the Company entered into an option agreement to acquire from Hinterland Metals Inc. a 100% interest in the Skyfall Property located at Urban-Barry mining area in the Abitibi region of Quebec. To obtain the 100% interest in the Skyfall Property, the Company will pay the optionor a total of \$100,000 cash, issue 800,000 shares and incur \$800,000 in exploration expenditures in the next 3 years, scheduled as follows:

Date	Cash	Shares	Exploration expenditures
On or before July 14, 2018	\$25,000 (paid)	200,000 (issued and valued at \$74,000)	\$Nil
On or before July 9, 2019	\$25,000 (paid)	200,000 (issued and valued at \$36,000)	\$200,000
On or before July 9, 2020	\$25,000	200,000	\$100,000
On or before July 9, 2021	\$25,000	200,000	\$500,000

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4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES (cont’d...)

Skyfall Property, Quebec (cont’d...)

The vendor retains a 2% net smelter return royalty on the property.

Subsequent to the period ended February 29, 2020, the Company notified the optionor it would not be proceeding with the option agreement. The Company as a result has written off the Skyfall Property in its entirety as of February 29, 2020.

Blitz Property, Quebec

In August 2018, the Company entered into a property purchase agreement with Mitchell E. Lavery, a director of the Company, to acquire a 100% interest in the Blitz Property located in Urban-Barry Greenstone Belt, Quebec. As per the agreement, the Company is to pay Mr. Lavery \$8,000 in cash (accrued) and issue 1,650,000 shares (issued and valued at \$627,000), subject to a 2.5% net smelter return royalty.

5. AMOUNTS RECEIVABLE

The items comprising the Company’s amounts receivable are summarized below:

	February 29, 2020	May 31, 2019
	\$	\$
GST receivable	26,063	19,570
QST receivable	37,534	27,579
Quebec tax credit receivable	-	77,541
Interest receivable	-	1,771
Total amounts receivable	63,597	126,461

6. LOAN PAYABLE TO RELATED PARTY

On July 5, 2018, the Company received loan proceeds of \$25,000 from the CEO of the Company. The loan bears interest at 5% per annum and is repayable on demand, upon the Company having sufficient resources, in cash or in shares at the option of the lender. On April 25, 2019, the Company issued 236,000 shares (valued at \$34,220) to settle the loan principal and interest totaling \$26,000. A loss on debt settlement of \$8,220 was recorded in the statement of loss and comprehensive loss in the year ended May 31, 2019.

7. SHARE CAPITAL AND RESERVES

Authorized

The authorized share capital of the Company is an unlimited number of common shares without par value.

As at February 29, 2020, the Company has 30,567,946 (May 31, 2019 – 29,904,346) common shares outstanding, Nil shares (May 31, 2019 – Nil) of which are held in escrow and contingently cancellable.

Contingently cancellable shares

The Company issued 23,219,980 Performance Escrow Shares in the year ended May 31, 2015 in relation to a transaction. The Performance Escrow Shares are escrowed and contingently cancellable. The Performance Escrow Shares have no voting rights and cannot be transferred or pledged. The Performance Escrow Shares will be released in four equal tranches upon achieving certain performance milestones within a period of three years. If the Performance Escrow Shares are not released according to the escrow agreement prior to August 21, 2018, the Performance Escrow Shares will be returned to the Company to be cancelled.

Those shares are valued at \$Nil and excluded from the calculation of weighted average number of shares outstanding.

During the year ended May 31, 2019, the Company cancelled 3,517,176 Performance Escrow Shares. As of May 31, 2019, Nil Performance Escrow Shares were held in escrow.

Share issuance and cancellation

During the nine months ended February 29, 2020:

- a) In July 2019, the Company issued 200,000 common shares (valued at \$36,000) to acquire the Skyfall Property (Note 4).
- b) In December 2019, the Company issued 463,600 of share units at a price of \$0.25 per unit for gross proceeds of \$115,900. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of \$0.50 per share for three years from the date of issuance.

During the year ended May 31, 2019:

- a) In July 2018, the Company issued 200,000 common shares (valued at \$74,000) to acquire the Skyfall Property (Note 4).
- b) In August 2018, the Company issued 1,650,000 common shares (valued at \$627,000) to acquire the Blitz Property (Note 4).
- c) In August 2018, the Company cancelled 3,517,176 Performance Escrow Shares (valued at \$Nil).

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7. SHARE CAPITAL AND RESERVES (cont'd...)

Share issuance and cancellation (cont'd...)

d) In November 2018, the Company completed a private placement by issuing 350,750 non-flow-through shares at \$0.32 per share and 2,000,000 flow-through shares at \$0.40 per share for total gross proceeds of \$912,240. The Company recognized a flow-through share premium of \$160,000 on issuance using the residual value method.

e) In January 2019, the Company issued 100,000 common shares pursuant to 100,000 options exercised at \$0.40 per share for total proceeds of \$40,000. The Company transferred the fair value of the 100,000 options (\$24,755) from reserves to share capital.

f) In April 2019, the Company issued 236,000 common shares (valued at \$34,220) to its CEO to settle the loan principal and interest totaling \$26,000 (Note 6).

Obligation to issue shares

On January 1, 2020, the Company entered into an agreement with Buchalter Consulting Inc. who will assist the Company in market support, Investor relations communications, and implementing potential financing initiatives. The agreement has a term of twelve months and the Company will pay a total fee of \$37,500.00 in 150,000 shares of the Company, payable at the end of every three-month period. As of February 29, 2020, the Company recorded \$6,250 in the obligation to issue shares

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

On December 30, 2019, the Company granted 1,000,000 stock options to certain directors and consultants of the Company. Each option is exercisable into one common share at a price of \$0.25 per share for a period of 24 months. The fair value of the stock options granted was \$139,289 (\$0.1393 per option).

On July 30, 2019, the Company granted to directors, officers and consultants 1,900,000 stock options, exercisable at \$0.25 per share for a term of twelve months. These options vested on the date of grant. The fair value of the stock options granted was \$182,626 (\$0.0961 per option).

During the year ended May 31, 2019, the Company granted to two consultants 1,100,000 stock options, exercisable at \$0.40 per share for a term of one year. These options vested on the date of grant. The fair value of the stock options granted was \$139,864 (\$0.1271 per option).

The fair value of the stock options granted was determined using the following assumptions:

Weighted average assumptions	Nine months ended February 29, 2020	Year ended May 31, 2019
Risk free interest rate	1.68%	1.90%
Volatility	140.11%	109.40%
Expected life of options	1.3 years	1 year
Dividend rate	-	0%

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7. SHARE CAPITAL AND RESERVES (cont'd...)

Stock options (cont'd...)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2018	1,000,000	\$ 0.40
Granted	1,100,000	0.40
Exercised	(100,000)	0.40
Expired	<u>(100,000)</u>	<u>0.40</u>
Balance, May 31, 2019	1,900,000	0.40
Granted	2,900,000	0.25
Expired	<u>(1,900,000)</u>	<u>0.40</u>
Balance, February 29, 2020	<u>2,900,000</u>	<u>\$ 0.25</u>

As at February 29, 2020, the following incentive stock options are outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
1,900,000	\$ 0.25	July 30, 2020
1,000,000	\$ 0.25	December 30, 2021

Warrants

In December 2019, the Company issued 463,600 of share units at a price of \$0.25 per unit to raise gross proceeds of \$115,900. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of \$0.50 per share for three years from the date of issuance.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2018 and 2019	-	\$ -
Issued	<u>463,600</u>	<u>0.50</u>
Balance, February 29, 2020	<u>463,600</u>	<u>\$ 0.50</u>

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7. SHARE CAPITAL AND RESERVES (cont'd...)

Warrants (cont'd...)

As at February 29, 2020, the following warrants are outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
463,600	\$ 0.50	December 30, 2022

8. FLOW-THROUGH SHARE PREMIUM

In November 2018, the Company issued 2,000,000 flow-through shares at \$0.40 per share for total gross proceeds of \$800,000. The Company recognized a flow-through share premium of \$160,000 on issuance using the residual value method. On March 1, 2019, the Company renounced the tax benefit to the investors.

As of May 31, 2019, the Company spent \$320,608 on exploration. As a result, the flow-through share premium of \$64,122 was reversed and a recovery was recorded into the statement of loss and comprehensive loss in the year ended May 31, 2019.

During the nine-month period ended February 29, 2020, the Company spent the remaining proceeds of \$479,392 on exploration. As a result, the remaining flow-through share premium of \$95,878 was reversed and a recovery was recorded into the statement of loss and comprehensive loss as of February 29, 2020.

9. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the financial statements, during the nine months ended February 29, 2020, the Company entered into the following transactions with related parties:

- (a) The Company paid or accrued management fee of \$Nil (2019 - \$30,000) to the CFO. As of February 29, 2020, \$138,000 (May 31, 2019 - \$138,000) is owed to the CFO.
- (b) The Company paid or accrued management fees of \$Nil (2019 - \$45,000) to the Chief Executive Officer ("CEO"). As at February 29, 2020, \$202,500 (May 31, 2019 - \$202,500) is owed to the CEO of the Company.
- (c) The Company issued Nil (2019 - 1,650,000 shares (valued at \$627,000)) to the President of the Company to acquire the Blitz Property (Note 4). The Company also accrued or paid to the President \$3,200 (2019 - \$20,000) of consulting fees and \$4,200 (2019 - \$Nil) of equipment rental that are recorded in exploration and evaluation. As of February 29, 2020, \$31,370 (May 31, 2019 - \$30,171) is owed to the President.
- (d) The Company received a loan of \$Nil (2019 - \$25,000) from the CEO (Note 6).
- (e) The Company granted 825,000 stock options (2019 – Nil) to directors of the Company. The stock options were valued at \$100,883 (2019 - \$Nil) at the date of grant.

Amounts due to related parties were due to companies controlled by directors and officers, were unsecured, were non-interest bearing and had no specific terms of repayment.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions during the nine months ended February 29, 2020 included:

- a) the issuance of 200,000 shares (valued at \$36,000) in relation to the acquisition of the Skyfall Property.
- b) \$31,370 of exploration and evaluation assets included in due to related parties as of February 29, 2020.
- c) \$60,000 of exploration and evaluation assets included in accounts payable and accrued liabilities as of February 29, 2020.

The significant non-cash transactions during the nine months ended February 28, 2019 included:

- a) the issuance of 1,850,000 shares (valued at \$503,400) in relation to the acquisition of the Skyfall Property and Blitz Property.
- b) \$30,170 of exploration and evaluation assets was included in due to related parties as of February 28, 2019.
- c) \$164,447 of exploration and evaluation assets was included in accounts payable and accrued liabilities as of February 28, 2019.
- d) \$24,755 of the fair value of 100,000 option exercised were transferred from reserves to share capital.

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair value

As at February 29, 2020, the Company's financial instruments comprise cash and cash equivalent, receivables, accounts payable and accrued liabilities and due to related parties. The carrying values of receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their fair values due to the relatively short periods to maturity of these financial instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 29, 2020, the Company had a cash balance of \$28,974 (May 31, 2019 - \$451,541) and current liabilities of \$483,163 (May 31, 2019 - \$538,660).

The Company has historically relied on equity and debt financings to satisfy its capital requirements and will continue to depend heavily upon equity capital and debt to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms.

11. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

Foreign currency risk

The Company's functional currency is the Canadian dollar and the majority of its purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in US dollars on a cash call basis using US currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities. The Company relies mainly on equity issuances and loans from related parties to raise new capital. In the management of capital, the Company includes the components of shareholders' equity (deficiency). The Company prepares annual estimates of operating expenditures and monitors actual expenditures compared to the estimates in an effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs for the current year. These financing activities may include issuances of additional debt or equity securities.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

12. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On March 31, 2020, the Company issued 37,500 shares (valued at \$9,375) to Buchalter Consulting Inc. as per the investor relations service agreement entered on January 1, 2020. (Note 7)