

CAT Strategic Metals Corporation

Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CAT Strategic Metals Corp.

Opinion

We have audited the financial statements of CAT Strategic Metals Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive loss, shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 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 other 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 1 to the financial statements, which describes events or conditions that 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.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 David Goertz.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 15, 2020



An independent firm
associated with Moore
Global Network Limited

CAT STRATEGIC METALS CORPORATION**Statements of Financial Position**

(Expressed in Canadian Dollars)

	Note	For the years ended December 31,	
		2019	2018
		\$	\$
Assets			
Current Assets			
Cash		661	-
Marketable securities	4	-	600,000
Sales tax receivable		41,124	16,489
Prepaid expenses		6,000	-
		<u>47,785</u>	<u>616,489</u>
Non-current assets			
Equipment	7	1,250	1,784
Exploration and evaluation assets	5	-	114,000
Long-term investment	6	-	1,520,773
Total assets		<u>49,035</u>	<u>2,253,046</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Bank overdraft		-	184
Accounts payable and accrued liabilities	8,9	621,056	449,297
Deposits received	5	75,000	-
		<u>696,056</u>	<u>449,481</u>
Shareholders' equity			
Share capital	10	3,899,270	3,934,270
Share-based reserve	10	448,571	407,228
Loan reserve		61,994	61,994
Deficit		(5,056,856)	(2,599,927)
Shareholders' Equity		<u>(647,021)</u>	<u>1,803,565</u>
Total Liabilities and Shareholders' Equity		<u>49,035</u>	<u>2,253,046</u>

Nature and continuance of operations (Note 1)

Commitment (Note 14)

Subsequent event (Note 15)

These financial statements were approved for issue by the Board of Directors on June 15, 2020

and signed on its behalf by:

"Robert Rosner"

Robert Rosner, Director

"Richard Groome"

Richard Groome, Director

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

CAT STRATEGIC METALS CORPORATION**Statement of Comprehensive Loss**

(Expressed in Canadian Dollars)

	Note	For the years ended December 31,	
		2019	2018
		\$	\$
Expenses			
Advertising and promotion		8,151	50,126
Amortization		534	446
Consulting	9	294,375	678,049
Exploration and evaluation		-	246,493
Foreign exchange (gain) / loss		539	1,257
Listing and filing fees		40,862	58,113
Office and administration		26,239	41,715
Professional fees		87,099	108,631
Share-based compensation	9,10	-	79,170
Travel		816	94,905
Loss before the following items:		(458,615)	(1,358,905)
Finance fees		-	(840)
Loss on deemed disposal of evaluation and exploration asset	5	(114,000)	-
Recovery of sales taxes receivable previously written off		-	35,980
Loss on sale of marketable securities	4	(260,785)	20,000
Equity loss from long-term investment	6	(153,989)	(26,958)
Impairment of long-term investment	6	(1,388,197)	-
Loss on settlement of debt	10	(81,343)	-
Gain on sale of mineral property interest	5	-	755,000
Loss and comprehensive loss		(2,456,929)	(575,723)
Loss per share, basic and diluted		(0.05)	(0.01)
Weighted average number of common shares outstanding		52,372,995	38,965,673

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

CAT STRATEGIC METALS CORPORATION
Statement of Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Outstanding Shares	Share Capital	Loan Reserve	Warrant reserve	Share-based reserve	Deficit	Shareholders' equity
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	33,788,936	2,451,406	61,994	81,431	216,627	(2,024,204)	787,254
Private placements	1,303,334	195,500	-	-	-	-	195,500
Units issued for consulting fees	2,000,000	170,000	-	30,000	-	-	200,000
Share issuance costs	-	(20,165)	-	-	-	-	(20,165)
Share issuance for long-term investment	9,185,040	826,654	-	-	-	-	826,654
Exercise of warrants at \$0.075	4,145,000	310,875	-	-	-	-	310,875
Share-based compensation	-	-	-	-	79,170	-	79,170
Comprehensive loss for the year	-	-	-	-	-	(575,723)	(575,723)
Balance, December 31, 2018	50,422,310	3,934,270	61,994	111,431	295,797	(2,599,927)	1,803,565
Cancellation of shares issued	(2,000,000)	(200,000)	-	-	-	-	(200,000)
Private placements	1,500,000	25,000	-	-	-	-	25,000
Shares issued for settlement of debt	2,000,000	140,000	-	-	41,343	-	181,343
Comprehensive loss for the year	-	-	-	-	-	(2,456,929)	(2,456,929)
Balance, December 31, 2019	51,922,310	3,899,270	61,994	111,431	337,140	(5,056,856)	(647,021)

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

CAT STRATEGIC METALS CORPORATION**Statement of Cash Flows**

(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2019	2018
Operating activities		
Loss for the year	(2,456,929)	(575,723)
Items not involving cash		
Amortization	534	446
Share-based compensation	-	79,170
Units issued (cancelled) for consulting fees	(200,000)	200,000
Recovery of sales tax receivable previously written off	-	(35,980)
Unrealized loss on marketable securities	-	(20,000)
Realized loss on sale of marketable securities	260,785	-
Equity loss from investment in associates	153,989	26,958
Impairment of mineral property interest	114,000	(755,000)
Impairment of investment in associates	1,388,197	-
Loss on settlement of debt	81,343	-
Changes in non-cash operating working capital		
Sales tax receivable	(24,635)	19,491
Prepays	(6,000)	84,773
Accounts payable and accrued liabilities	271,759	308,661
Cash used in operating activities	(416,957)	(667,204)
Investing activities		
Proceeds from disposition of mineral interest	75,000	200,000
Proceeds from sale of marketable securities	339,215	-
Acquisition of long-term investment	(21,413)	(721,077)
Acquisition of equipment	-	(2,230)
Cash used in investing activities	392,802	(523,307)
Financing activities		
Net proceeds from units issued for cash	25,000	486,210
Cash provided by financing activities	25,000	486,210
Increase (decrease) in cash	845	(704,301)
Cash, beginning	(184)	704,117
Cash (Bank Overdraft), ending	661	(184)

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

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

CAT Strategic Metals Corporation (formerly Chimata Gold Corp.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on November 16, 2010. The common shares of the Company began trading on TSX Venture Exchange (“TSXV”) on September 16, 2011 under the symbol “CAT”, and on the Frankfurt Exchange on July 29, 2014 under the symbol “8CH”. Effective June 14, 2018, the Company’s shares were transferred from TSXV to the Canadian Securities Exchange (“CSE”) under the symbol “CAT”. The decision to move the listing of its common shares from the TSXV to the CSE was taken by the Company as it deems that the CSE may be a more suitable stock exchange with respect to its development and its future expansion. Effective May 1, 2019, the Company’s shares were halted for trading due to corporate reorganization. The Company’s principal activity is the acquisition and exploration of mineral properties.

On February 14, 2019, the Company changed its name to CAT Strategic Metals Corporation from Chimata Gold Corp.

The registered records office and place of business of the Company is 1015 – 789 West Pender Street, Vancouver, BC V6C 1H2.

These financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful identification of an exploration and evaluation asset, its ability to raise equity capital, to obtain loans from related parties, and to attain profitable operations to generate funds and meet current and future obligations. As at December 31, 2019, the Company had not advanced any exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from related parties and/or private placement of common shares.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized for issue by the Board of Directors on June 15, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Financial assets	Classification under IFRS 9
Cash	Amortized cost
Marketable securities	FVTPL
Other receivables	Amortized cost
Financial liabilities	Classification under IFRS 9
Accounts payable and accrued liabilities	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL:

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

(ii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Statements of Comprehensive Income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Exploration and evaluation assets

Exploration and evaluation expenditures are those related to the search for and evaluation of mineral resources incurred after the Company has obtained legal rights to explore a specific area and before the technical feasibility and commercial viability of a mineral reserve are demonstrable. Mineral property acquisition costs incurred that result in the outright ownership of a mineral property interest are capitalized and include the cash paid and the estimated fair market value of the consideration of financial instruments on the date of issue.

Exploration and evaluation expenditures, including payments made pursuant to option agreements, are expensed in the period incurred. Administrative expenditures related to exploration and development activities are expensed in the period incurred.

Once it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, and sufficient financing for the continuation of project development has been arranged, the related acquisition costs capitalized are tested for impairment and transferred to mineral property interests and equipment.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Asset retirement and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share-based payments

The fair value of share options granted to employees is measured at the grant date and recognized over the vesting period with a corresponding increase in equity. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of the options granted is measured using the Black-Scholes option-pricing model. 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.

Loss 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. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the years ended December 31, 2019 and 2018, basic loss per share equals diluted loss per share as the effect of the outstanding warrants would be anti-dilutive.

Income taxes

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Investment in Associate

Investments in entities over which the Company has a significant influence, but not control, are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's proportionate share of the investee's income or loss. When the Company's equity investee issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's proportionate share of the proceeds and the carrying value of the underlying equity. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for unless the Company is committed to provide financial support to the investee.

The Company resumes accounting for the investment under the equity method when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of associates into line with those of the Company.

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets.

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of expenditures as exploration and evaluation expenditures or operating expenses.

Leases

The Company adopted all of the requirements of IFRS 16, effective January 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. There was no impact on the Company's financial statements upon the adoption of this new standard.

4. MARKETABLE SECURITIES

At December 31, 2018, the Company's financial assets with fair value through profit and loss consist of common shares of 6,000,000 at a unit price of \$0.10 Emgold Mining Corporation ("Emgold"), a Canadian public company. For the year ended December 31, 2019, the Company recognized unrealized gain on change in fair value of the marketable securities of \$nil (2018- \$20,000).

During the year ended December 31, 2019, the Company sold all shares held of Emgold for gross proceeds of \$339,215 and realized a loss of \$260,785 as a result of the sale.

5. EXPLORATION AND EVALUATION ASSETS

Mineral Properties Interest:

	Troilus North	BAM	Total
	\$	\$	\$
December 31, 2017	250,000	114,000	364,000
Disposition	(250,000)	-	(250,000)
December 31, 2018	-	114,000	114,000
Disposition	-	(114,000)	(114,000)
December 31, 2019	-	-	-

a) BAM

On December 1, 2017, the Company acquired a 100% interest in the Bam mineral property. The property is comprised of 1052 hectares located in the Pacific Golden Triangle mining district approximately 80 Km south of Telegraph Creek in the Liard mining division of northwest British Columbia, Canada.

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

5. EXPLORATION AND EVALUATION ASSETS (Continued)

Under the terms of the purchase agreement, the Company will pay \$60,000 cash and issue 600,000 common shares to Bearclaw. The initial \$15,000 cash payment was provided to Bearclaw and 600,000 common shares issued to Bearclaw on November 16, 2017 with a fair value of \$54,000 based on closing share price at \$0.09 per share. The claims comprising the mineral property have been transferred to the Company. The balance of the cash payments will be provided in 3 equal installments of \$15,000 over a 12 month period. Bearclaw will retain a 2% Net Smelter Royalty on the property, of which 1% may be purchased by the Company for \$1,000,000 at any time.

During the year ended December 31, 2019, the Company incurred \$NIL (2018 - \$246,493) in exploration and evaluation expenditures and property investigation costs for potential acquisition.

During the year ended December 31, 2019, the Company let its claims for the BAM Property lapse and recognized an impairment of \$114,000.

b) Troilus North

i) *Acquisition by the Company*

On October 12, 2017, the Company acquired a 100% undivided interest in the Troilus North Property (the "Troilus North Property"). The property is made up of 139 contiguous claims located 160 km north of the town of Chibougamau in the province of Quebec. The total purchase price was \$250,000 to be paid as follows:

- An initial payment of \$25,000 (paid by the Company) due to Greg Exploration Inc. and other owners of the Troilus North Property (collectively referred to as the "Vendors") upon closing;
- \$25,000 due within ninety (90) days following signing of the agreement;
- \$50,000 due on or before September 30, 2018;
- \$50,000 due on or before March 31, 2019;
- \$50,000 due on or before September 30, 2019; and
- \$50,000 due on or before March 31, 2020.

In addition, the Company has granted a 1.5% Net Smelter Royalty to the Vendor; 0.5% of which can be repurchased by the Company for \$500,000. On May 14, 2018, the Company concluded the acquisition of a 100% undivided interest in the Troilus North Property.

On November 15, 2018, Emgold acquired 100% of the Troilus North Property from the Company with the following considerations:

- issue 6,000,000 common shares of Emgold to the Company (issued - Note 4);
- cash payment of \$200,000 (received);
- complete \$300,000 requirement in exploration expenditures on the Property (completed); and
- grant a 1.0% NSR on the Troilus North Property to the Company.

Upon closing of the sale of the Troilus North Property, the remaining purchase price obligations of \$225,000 have been assigned to Emgold, and the Company recognized a gain on sale of mineral properties of \$755,000.

On December 9, 2019, the Company executed an assignment and assumption agreement with Emgold, whereby, the Company assigned the royalty agreement for the net smelter return interest in and to the production of minerals from the Troilus North Property to Emgold in consideration of cash payment of \$75,000. The Company will remit the \$75,000 received to the original optionor for the Troilus North Property, and the balance has been accounted for in accounts payable and accrued liabilities.

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

6. LONG-TERM INVESTMENT

Long-term investment represents the fair value of the Company's 19% shareholdings in Zimbabwe Lithium Company (Mauritius) Limited ("Zimbabwe Lithium", or "ZIM"), a privately held company incorporated under the laws of Mauritius. Zimbabwe Lithium has the right to develop mining properties in Zimbabwe (the "Properties").

On December 27, 2017 the Company entered into a binding letter of intent (the "LOI") with Zimbabwe Lithium for a proposed reverse take-over between the Company and Zimbabwe Lithium (the "Transaction"). On October 31, 2018, the Company executed a share exchange agreement (the "Agreement") with the existing shareholders of ZIM. Pursuant to the terms of the LOI and the Agreement, the Transaction is defined into two distinctive phases: First Phase and Second Phase.

First Phase:

- The Company would issue its common shares to the existing shareholders of ZIM in exchange for 19% of the issued and outstanding shares in Zimbabwe Lithium. On October 31, 2018, the Company issued 9,185,040 common shares from its share capital with a fair value of \$826,654, representing an aggregate of 19% of the current issued and outstanding share capital of the Company. In return, ZIM issued to the Company 755 ZIM shares, representing an aggregate of 19% of the current issued and outstanding share capital of ZIM.
- The Company committed to advance the amount of US\$500,000 to ZIM allowing ZIM to cover historical test work and consultant expenditures that have been incurred bringing the project to its current state as well as expenditures as they are gradually incurred, project expenditures and exploration on the Properties, including potential license and option payments to the Zimbabwe Mining Development Corporation ("ZMDC"), salaries and consultancy fees, drilling and assaying on the Properties along with the completion of a National Instrument 43-101 ("NI 43-101") compliant resource estimate of the Properties (the "Estimate"). As at December 31, 2018, the Company has advanced \$721,077 (US\$560,000). These cash advances were capitalized as cost of investment.

Second Phase:

- The proceeding to the Second Phase of the Transaction is subjected to the Estimate revealing that the resource contains a minimum of 11,111,000 cubic meters of tailings material at minimum 0.60 percent Lithia (Li₂O with the majority of the mineralization consisting of Spodumene) (the "Threshold Percentage") which is subject to an independent valuation certified by a Qualified Person under NI43-101.
- Should the Estimate reveal that the Threshold Percentage is reached, ZIM shall be entitled to receive an additional share allocation of 51% of the current issued and outstanding share capital of the Company.

Prior to and in order to complete the Transaction and the NI 43-101, the Company will work towards the completion of the concurrent financing, to a maximum of \$2,000,000 and to a minimum of \$1,800,000 whereby \$800,000 to be raised by the Company no later than July 30th, 2018 or two weeks from the date of completion and publication of the Estimate whichever is the latter, and the remaining balance of \$1,000,000 to be raised by the Company no later than (a) August 30, 2018 or (b) six weeks from the date of completion and publication of the Estimate whichever is the latter.

The Company, through its shareholding and board representation in ZIM, exercises significant influence over that company, but not control. As a result, the investment in Zimbabwe Lithium is accounted for using the equity method.

CAT STRATEGIC METALS CORPORATION**Notes to the Financial Statements**

For the years ended December 31, 2019 and 2018

6. LONG-TERM INVESTMENT (Continued)

As at June 28, 2019, the Company and ZIM terminated the Second Phase and the Definitive Agreement. During the year ended December 31, 2019, management assessed the fair value of the investment in associates to be \$nil and recognized an impairment of \$1,388,197.

	December 31, 2019	December 31, 2018
	\$	\$
Opening balance	1,520,773	-
Additions	21,413	1,547,731
Share of equity loss	(153,989)	(26,958)
Impairment of investment in associates	(1,388,197)	-
Ending balance	-	1,520,773

The following is the financial summary of the equity investment:

	December 31, 2019	December 31, 2018
	\$	\$
Current assets	10,312	765,579
Non-current assets	1,805,253	-
Current liabilities	(1,797,080)	(883,216)
Non-current liabilities	(614,309)	-
Loss and comprehensive loss	(810,471)	(141,884)

7. EQUIPMENT

	Software
Cost	\$
Balance at December 31, 2018	2,230
Balance at December 31, 2019	2,230
Accumulated amortization	
Balance at December 31, 2018	446
Current provision	534
Balance at December 31, 2019	980
Net Book Value at December 31, 2018	1,784
Net Book Value at December 31, 2019	1,250

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
	\$	\$
Trades payable	571,056	356,497
Acquisition cash payment payable for BAM	15,000	15,000
Accrued liabilities	35,000	77,800
	621,056	449,297

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

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9. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the year ended December 31, 2019 and 2018 was as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Management and consulting fees	275,000	272,497
Rent	23,000	-
Share-based payment	-	79,170
	298,000	351,667

During the year ended December 31, 2019, the Company incurred \$120,000 (2018 – 120,997) in consulting fees to the entity controlled by the Company's Chief Executive Officer ("CEO") and \$120,000 in consulting fees (2018 - \$113,000) to the entity associated with the Company's Chief Financial Officer ("CFO"), \$35,000 (2018 - \$33,000) in consulting fees to the Company's Corporate Secretary. The Company also paid \$23,000 for rent to a company with a common director.

Share-based payments are comprised of stock options, which are non-cash expenditures. During the year ended December 31, 2018, the Company granted 800,000 options in total (with 200,000 options each) to the CEO, CFO and two directors. The Company granted 70,000 options to the Company's Corporate Secretary. The option value for these option grants is calculated at \$0.091 per option based on Black-Scholes Option Pricing Model.

At December 31, 2019 the Company did not grant any share-based payments.

As at December 31, 2019, the Company's accounts payable balances owing to the related parties include:

- \$104,910 (2018 - \$71,980) owed to the entity associated with the Company's former CFO;
- \$29,400 (2018 - \$9,957) owed to the Company's Corporate Secretary;
- \$120,000 to a Company controlled by a former director.

The above balances are non-interest bearing, unsecured and due on demand.

- (a) The Company and an entity controlled by the CEO entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of \$10,000 to the CEO over a term of 24 months commencing from February 1, 2018. This agreement was cancelled on January 24, 2020.
- (b) The Company and an entity associated with the Company's CEO entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of \$10,000 to the CEO over a term of 20 months commencing from February 5, 2018. The monthly consulting fee will be increased to \$20,000 upon successful completion by the Company of its first major acquisition of \$5,000,000 or greater in value. This agreement has been extended for an additional 24 months.

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

10. SHARE CAPITAL

Authorized share capital:

Unlimited common shares and preferred shares without par value

Share issuances:

For the year ended December 31, 2019:

During the year ended December 31, 2019, the Company cancelled 2,000,000 as a result of the cancellation of a consulting agreement.

On February 6, 2019 the Company issued 500,000 units of the Company for proceeds of \$25,000. Each unit consists of one common shares and one-half share purchase warrant. Each whole warrant is exercisable at \$0.10 per share for a period for 18 months.

On February 6, 2019 the Company issued 2,000,000 units of the Company for settlement of debt of \$100,000. Each unit consists of one common shares and one-half share purchase warrant. Each whole warrant is exercisable at \$0.10 per share for a period for 18 months. The fair value of the shares was \$140,000 and the warrants were fair valued at \$41,343, resulting in a loss of settlement of debt of \$81,343. The fair value of the warrants was determined using the Black Scholes Option Pricing Model using the following assumptions: stock price: \$0.07, exercise price: \$0.10, volatility: 152.73%, expected life: 1.5 years and risk-free interest rate of 1.80%.

On February 6, 2019 the Company issued 1,000,000 units of the Company for \$0.05 per unit at a value of \$50,000. Each unit consists of one common shares and one-half share purchase warrant. Each whole warrant is exercisable at \$0.10 per share for a period for 18 months. These units were subsequently cancelled due to no funds being received. As a result, these shares were recorded at \$nil value.

For the year ended December 31, 2018:

On March 23, 2018, the Company issued 1,303,334 units of the Company for gross proceeds of \$195,500. Each unit consists of one common share and one-half warrant. Each whole warrant shall entitle the holder thereof to acquire one additional common share at a price of \$0.25 per common share for a period of 12 months from the date of issuance.

On October 31, 2018, the Company issued 2,000,000 units of the Company for consulting fees rendered with a value of \$200,000. Each unit consists of one common share and one warrant. Each warrant shall entitle the holder thereof to acquire one additional common share at a price of \$0.20 per common share for a period of 24 months from the date of issuance. These shares were cancelled and returned to treasury.

On October 31, 2018, the Company issued 9,185,040 common shares for the acquisition of 19% of the outstanding common shares of ZIM (Note 6).

During the year December 31, 2018, the Company issued 4,145,000 common shares for the exercise of warrants for proceeds of \$310,875.

During the year ended December 31, 2018, the Company incurred \$20,165 as share issuance costs for legal fees incurred.

CAT STRATEGIC METALS CORPORATION
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

10. SHARE CAPITAL (Continued)

Warrants

A continuity of the Company's warrants is as follows:

	Warrants	Weighted average exercise price	Weighted average number years to expiry
		\$	
Balance, December 31, 2017	25,347,496	0.09	1.96
Exercised	(4,145,000)	0.075	1.70
Issued	2,651,667	0.25	1.46
Balance, December 31, 2018	23,854,163	0.11	1.83
Issued	1,750,000	0.10	1.50
Expired	(911,667)	(0.20)	-
Cancelled	(2,000,000)	(0.25)	-
Balance, December 31, 2019	22,692,496	0.07	0.88

As at December 31, 2019, the Company had the following warrants outstanding:

Date Issued	Expiry Date	Exercise Price	Number of Warrants Outstanding
April 13, 2015	April 13, 2020	\$ 0.02	40,000
October 28, 2016	October 28, 2021	\$ 0.05	2,500,000
September 1, 2017	September 1, 2020	\$ 0.075	5,301,000
September 8, 2017	September 8, 2020	\$ 0.075	3,719,160
September 25, 2017	September 25, 2020	\$ 0.075	3,063,636
December 1, 2017	December 1, 2020	\$ 0.15	5,607,500
December 21, 2017	December 21, 2020	\$ 0.25	711,200
February 6, 2019	August 6, 2020	\$ 0.10	1,750,000
			22,692,496

Share Options

The Company's incentive stock option plan (the "Option Plan") provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the Company may grant a total of options not exceeding 10% of the issued and outstanding common shares. As at December 31, 2019, there were 3,670,000 options outstanding and exercisable (2018 – 3,670,000) There were no stock options granted during the period ended December 31, 2019 (December 31, 2018 - 870,000 stock options granted or outstanding).

CAT STRATEGIC METALS CORPORATION
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

10. SHARE CAPITAL (Continued)

A continuity of the Company's options is as follows:

	Share Options	Weighted average exercise price	Weighted average number years to expiry
		\$	
December 31, 2016	–	–	–
Granted	3,000,000	0.15	3.70
December 31, 2017	3,000,000	0.15	3.70
Granted	870,000	0.15	4.35
Cancelled	(200,000)	0.15	(3.87)
December 31, 2018	3,670,000	0.15	3.98
December 31, 2019	3,670,000	0.08	2.93

As at December 31, 2019, the Company had the following options outstanding:

Date Issued	Expiry Date	Exercise Price	Number of Options Outstanding	Number of options Exercisable
September 25, 2017	September 24, 2022	\$ 0.15	1,300,000	1,300,000
December 1, 2017	December 1, 2022	\$ 0.15	1,500,000	1,500,000
June 11, 2018	June 11, 2023	\$ 0.15	870,000	870,000
			3,670,000	3,670,000

The fair value of each of these 870,000 options was calculated to be \$0.091 using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate – 2.14%; Dividend yield – 0.00%; Expected volatility – 107.16%; Expected life – 5 years.

11. CAPITAL MANAGEMENT

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the Board of Directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing Long-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the year.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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's primary exposure to credit risk is on its cash held in bank accounts.

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its Long-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements as well as related party loans. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its notes payable as the interest rate is dependent on Canada's prime interest rate. Since the Canadian prime interest rate is fairly stable, the Company's exposure to interest rate risk is not considered to be significant.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

13. INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Net loss	(2,456,929)	(575,723)
Statutory tax rate	27%	27%
Expected income tax recovery	(663,371)	(155,445)
Impact of change in tax rate	(16,797)	(12,106)
Non-deductible expenditures	(30,780)	230,626
Adjustment to prior year's provision	16,793	(62,017)
Change in unrecognized deferred assets	694,154	(125,092)
Actual income tax recovery	-	-

CAT STRATEGIC METALS CORPORATION

Notes to the Financial Statements

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13. INCOME TAXES

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Share issuance costs	18,737	18,737
Non-capital losses	818,585	124,431
Exploration and evaluation assets	201,104	201,104
Investment tax credit	13,286	13,286
	1,051,712	357,557
Unrecognized deferred tax assets	(1,051,712)	(357,557)
Net deferred tax assets	-	-

As at December 31, 2018, the Company has income tax loss carry forwards of approximately \$3,032,000 to reduce future federal and provincial taxable income which expire between 2031 and 2039.

14. COMMITMENTS

The consulting fee commitment to an entity controlled by the CEO totaling \$240,000, the consulting fee commitment to the Corporate Secretary of \$10,500 and the consulting fee commitment to an external consultant totaling \$55,000. Minimum payments relating to the above commitments for each of the next two fiscal years are as follows:

2020	\$	185,500
2021		120,000
Total	\$	305,500

15. SUBSEQUENT EVENT

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.