IRVING RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Irving Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Irving Resources 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 loss and comprehensive loss, changes in shareholders' 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, these 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 audits 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 consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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.

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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Glenn Parchomchuk.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

June 18, 2020

IRVING RESOURCES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
AS AT

	February 29, 2020	February 28, 2019
ASSETS		
Current assets		
Cash	$ 12,993,006	$ 6,607,331
Receivables (Note 6)	72,328	14,435
Prepaids	48,086	32,048
	13,113,420	6,653,814
Property and equipment (Notes 4 and 7)	295,013	438
Exploration and evaluation assets (Note 8)	13,770,891	4,052,121
Prepaids (Note 8)	301,279	324,460
	$ 27,480,603	$ 11,030,833
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,289,014	$ 248,478
Lease liabilities (Note 4)	59,988	-
	1,349,002	248,478
Non-current liabilities		
Lease liabilities (Note 4)	40,121	-
Total liabilities	1,389,123	248,478
Shareholders' equity		
Share Capital (Note 10)	31,633,494	14,916,092
Reserves (Note 10)	3,202,046	1,292,071
Deficit	(8,744,060)	(5,425,808)
	26,091,480	10,782,355
	$ 27,480,603	$ 11,030,833

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 17)

On behalf of the Board:

"Akiko Levinson" Director *"Quinton Hennigh"* Director

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

IRVING RESOURCES INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended February 29, 2020	Year Ended February 28, 2019
EXPENSES		
Consulting fees (Note 11)	$ 231,877	$ 122,823
Depreciation (Note 7)	57,550	187
Foreign exchange gain	(296,901)	(54,795)
Insurance	16,359	14,283
Interest expense on lease liability (Note 4)	10,908	-
Investor relations	92,400	52,617
Management fees (Note 11)	72,000	72,000
Office and miscellaneous	115,193	73,337
Professional fees	179,806	165,003
Property investigation	38,372	51,698
Regulatory fees	23,016	14,728
Salaries and benefits	130,878	107,053
Shareholder costs	17,294	15,595
Share-based compensation (Note 10)	2,203,980	640,678
Telephone	14,621	6,926
Transfer agent	6,948	7,762
Travel and promotion	226,275	156,467
Operating expenses	(3,140,576)	(1,446,362)
Interest income	152,602	31,567
Management fee income	22,755	44,767
Write-off of exploration and evaluation asset (Note 8)	(355,471)	(1,514,763)
Gain on sale of asset (Note 7)	2,438	-
	(177,676)	(1,438,429)
Loss and comprehensive loss for the year	$ (3,318,252)	$ (2,884,791)
Basic and diluted loss per common share	$ (0.07)	$ (0.07)
Weighted average number of common shares outstanding	49,581,354	39,111,239

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

IRVING RESOURCES INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Based Payment Reserves	Deficit	Total Equity
Balance, February 28, 2018	**33,511,878**	**$ 10,278,457**	**$ 737,508**	**$ (2,541,017)**	**$ 8,474,948**
Private placement	1,894,365	2,083,802	-	-	2,083,802
Share issue costs	-	(12,428)	-	-	(12,428)
Exercise of warrants	7,857,084	2,340,397	-	-	2,340,397
Exercise of stock options	425,000	225,865	(86,115)	-	139,750
Share-based compensation	-	-	640,678	-	640,678
Net loss for the year	-	-	-	(2,884,791)	(2,884,791)
Balance, February 28, 2019	**43,688,327**	**14,916,092**	**1,292,071**	**(5,425,808)**	**10,782,355**
Balance, February 28, 2019	**43,688,327**	**14,916,092**	**1,292,071**	**(5,425,808)**	**10,782,355**
Private placements	5,116,374	13,281,597	-	-	13,281,597
Share issue costs		(25,090)	-	-	(25,090)
Exercise of warrants	4,886,704	2,693,140	-	-	2,693,140
Exercise of stock options	1,103,333	767,755	(294,005)	-	473,750
Share-based compensation	-	-	2,203,980	-	2,203,980
Net loss for the year	-	-	-	(3,318,252)	(3,318,252)
Balance, February 29, 2020	**54,794,738**	**$ 31,633,494**	**$ 3,202,046**	**$ (8,744,060)**	**$ 26,091,480**

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

IRVING RESOURCES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended February 29, 2020	Year Ended February 28, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (3,318,252)	$ (2,884,791)
Adjustments		
Depreciation	57,550	187
Interest expense on lease obligations	10,908	-
Share-based compensation	2,203,980	640,678
Gain on sale of asset	(2,438)	-
Write-down of mineral property	355,471	1,514,763
Foreign exchange	14,807	-
Change in non-cash working capital items:		
Receivables	(57,893)	(1,472)
Prepaids	(19,223)	(4,635)
Accounts payable and accrued liabilities	83,304	12,231
Net cash used in operating activities	(671,786)	(723,039)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	16,448,487	4,563,948
Share issue costs	(25,090)	(12,428)
Payment of lease obligations	(62,201)	-
Net cash provided by financing activities	16,361,196	4,551,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets, net of recoveries	(9,117,009)	(1,311,044)
Exploration and evaluation assets, advances	26,366	(300,000)
Acquisition of equipment	(213,092)	-
Net cash used in investing activities	(9,303,735)	(1,611,044)
Change in cash during the year	6,385,675	2,217,437
Cash, beginning of the year	6,607,331	4,389,894
Cash, end of the year	$ 12,993,006	$ 6,607,331

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Irving Resources Inc. (the "Company" or "Irving") was incorporated under the Business Corporations Act (British Columbia) on August 28, 2015 under the name 1047431 B.C. Ltd. and changed its name on September 23, 2015 to Irving Resources Inc. The Company's corporate office is located at 999 Canada Place, Suite 404, Vancouver, BC V6C 3E2.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at February 29, 2020, the Company had working capital of $11,764,418 (2019 – $6,405,336). Management estimates these funds are sufficient to meet its immediate liquidity requirements as well as those for the next twelve months.

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of annual financial statements. The IFRS are issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied in these financial statements are based on IFRS issued and in effect as at year end.

b) Basis of Measurement

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

c) Approval of the consolidated financial statements

These consolidated financial statements were reviewed by the Audit Committee and authorized for issue by the Board of Directors on June 17, 2020.

2. BASIS OF PREPARATION (cont'd)

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company, Irving Resources Inc., and its subsidiaries listed below:

	Jurisdiction	Nature of Operation	Equity Interest
Irving Resources Japan GK ("Irving GK")	Japan	Exploration	100%
New River Stone Limited ("NRSL")	Madagascar	Exploration	100%
Spring Stone Limited ("SSL")	Malawi, Africa	Exploration	100%
Spring Take Limited ("STL")	Tanzania, Africa	Exploration	100%
Spring Stone Mining Corporation ("SSM")	BC, Canada	Holding	100%
Spring Stone Exploration Inc.("SSE")	BC, Canada	Holding	100%

All inter-company balances and transactions have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

Financial instruments

The Company determines the classification of its financial instruments at initial recognition. The Company has not entered into any derivative contracts. Upon initial recognition at fair value, a financial asset is classified as measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). A financial liability is classified as measured at amortized cost or FVTPL.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and lease obligations. The classification of the Company's financial instruments are as follows:

Asset or Liability	Classification
Cash	FVTPL
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease obligations	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Exploration and evaluation assets – mineral properties

Pre-exploration costs
Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures
Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to acquisition costs. These direct expenditures include such costs as material used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, mineral property expenditures in respect of that project are deemed to be impaired. As a result, those mineral property expenditures, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses mineral properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine under construction". Mineral property assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

3. SIGNIFICANT ACCOUNTNG POLICIES (cont'd)

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Share-based payment transactions

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

3. SIGNIFICANT ACCOUNTNG POLICIES (cont'd)

Share-based payment transactions (cont'd)

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date using the Black-Scholes option pricing model. They are recognized as an expense over the vesting periods of the options using the graded vesting model. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to share-based payment reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as share-based payment reserves are recorded as share capital.

Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability-specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

3. SIGNIFICANT ACCOUNTNG POLICIES (cont'd)

Earning / loss per share

Basic earnings / loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

Property and equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not amortized.

3. SIGNIFICANT ACCOUNTNG POLICIES (cont'd)

Property and equipment (cont'd)

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Major Maintenance and Repairs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and equipment is depreciated over their estimated useful lives using the following methods:

Computer equipment	30% declining balance
Office furniture and fixtures	20% declining balance
Machinery and equipment	20% declining balance

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTNG POLICIES (cont'd)

Impairment of non-financial assets (cont'd)

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

4. NEW ACCOUNTING STANDARDS

IFRS 16, *Leases*

The Company adopted new accounting standard *IFRS 16 – Leases*, effective March 1, 2019. IFRS 16 replaces IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (ie. Leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office lease, other leased buildings, and an equipment lease. The lease liabilities will be measured at present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at March 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets ("RoU asset") will be measured at the lease liabilities amounts.

(Expressed in Canadian Dollars)

4. NEW ACCOUNTING STANDARDS (cont'd)

As of March 1, 2019, the Company recognized $119,588 in right-of-use assets and $119,588 in lease liabilities as summarized below. The lease liabilities were discounted at a discount rate of 10% as at March 1, 2019.

Minimum lease payments under operating leases as of February 28, 2019	$	136,132
Effect from discounting at the incremental borrowing rate as of March 1, 2019		(16,544)
Lease liabilities recognized as of March 1, 2019	$	119,588
Right-of-use assets recognized as of March 1, 2019	$	119,588

The Company assesses whether a contract is or contains a lease at the inception of a contract. The Company recognizes a RoU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize RoU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of a low value. The Company will continue to record these as operating leases.

The RoU asset is initially measured based on the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives and any variable lease payments. When the lease contains an extension or purchase options that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

RoU assets are included in Property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is measured at amortized cost using the effective interest method. The related payments are recognized as an expense in the period in which the payment occurs and are included in the consolidated statement of loss and comprehensive loss.

	$
Lease liabilities recognized as of March 1, 2019	119,588
Additions	19,445
Lease payments made	(62,201)
Interest expense on lease liabilities	10,908
Foreign exchange adjustment	12,369
	100,109
Less: current portion	(59,988)
At February 29, 2020	40,121

4. NEW ACCOUNTING STANDARDS (cont'd)

IFRS 16, *Leases* (cont'd)

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

	$
Fiscal 2021	53,499
Fiscal 2022	32,932
Fiscal 2023	5,696

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, 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) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

c) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 10.

d) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

e) Leases

The Company applies judgement in determining whether a contract contains an identified asset, whether the Company has the right to control the asset, the term of the lease and discount rate. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options.

6. RECEIVABLES

The Company's receivables arise mainly from accrued interest and goods and services tax due from Canadian government taxation authorities.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Right of Use Assets	Machinery and equipment	Computer equipment	Office furniture and fixtures	Total
Cost					
Balance, February 28, 2018	$ -	$ -	$ 1,400	$ -	$ 1,400
Additions	-	-	-	-	-
Balance, February 28, 2019	-	-	1,400	-	1,400
Initial adoption of IFRS 16	119,588	-	-	-	119,588
Additions	19,445	183,507	21,758	7,827	232,537
Balance, February 29, 2020	$ 139,033	$ 183,507	$ 23,158	$ 7,827	$ 353,525
Accumulated depreciation					
Balance, February 28, 2018	$ -	$ -	$ 775	$ -	$ 775
Additions	-	-	187	-	187
Balance, February 28, 2019	-	-	962	-	962
Additions	42,671	11,813	2,283	783	57,550
Balance, February 29, 2020	$ 42,671	$ 11,813	$ 3,245	$ 783	$ 58,512
Carrying amounts					
At February 28, 2019	$ -	$ -	$ 438	$ -	$ 438
At February 29, 2020	$ 96,362	$ 171,694	$ 19,913	$ 7,044	$ 295,013

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The following expenditures were incurred on the Company's exploration and evaluation assets:

Year ended February 29, 2020	Omu Property	Other Properties	Japan Total
Opening balance, February 28, 2019*	$ 3,605,129	$ 446,991	$ 4,052,121
Additions:			
Acquisition costs	38,423	-	38,423
Assays and sampling	918,528	-	918,528
Consulting/management/administration	1,787,516	26,823	1,814,339
Drilling related	4,630,096	-	4,630,097
Geophysics/other engineering studies	649,887	-	649,887
Materials and supplies	1,344,557	-	1,344,557
Staking and claims registration	20,239	53,791	74,029
Travel and transportation	604,382	-	604,382
Total deferred exploration costs	9,993,629	80,613	10,074,242
Less: write-off of deferred exploration costs	-	(355,471)	(355,471)
Total, exploration and evaluation assets, February 29, 2020	$ 13,598,758	$ 172,133	$ 13,770,891

Year ended February 28, 2019	Africa Properties	Japan Properties	Total
Opening balance, February 28, 2018	$1,514,751	$ 2,684,522	$ 4,199,273
Additions:			
Acquisition costs	-	20,511	20,511
Assays and sampling	-	29,471	29,471
Consulting/management/administration	-	1,053,494	1,053,494
Drilling related	-	73,429	73,429
Materials and supplies	15,633	52,805	68,438
Staking and claims registration	2,328	116,029	118,357
Travel and transportation	-	21,860	21,860
	103,274	1,971,815	2,075,089
Less: recoveries	(103,142)	-	(103,142)
Total deferred exploration costs	12	1,367,599	1,367,611
Less: write-off of deferred exploration costs	(1,514,763)	-	(1,514,763)
Total, exploration and evaluation assets, February 28, 2019	$ -	$ 4,052,121	$ 4,052,121

8. EXPLORATION AND EVALUATIONS ASSETS (cont'd)

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and to the best of its knowledge, title to all of the assets is in good standing.

**Note - the carrying costs of the Omu and Other Properties are grouped collectively as "Japan Properties" in 2019.*

a) Omu Property

The Company entered into an agreement to purchase a 100% interest in a mining right for the Omui Property located in Hokkaido, Japan. The mining right encompasses an area of approximately 2.98 sq km. The total purchase price for the mining right is JPY40,000,000 cash (CAD $477,000) and JPY10,000,000 (CAD $118,100) worth of the Company's common shares. During the year ended February 28, 2017, the Company paid JPY20,000,000 cash (CAD $245,000) towards the acquisition of this agreement. During the year ended February 28, 2018, the balance of JPY20,000,000 cash (CAD $232,000) was paid upon commencement of the definitive registration procedure of the transfer of the mining right and 135,747 common shares of the Company were issued at a value of $118,100 upon completion of the registration of the transfer of the mining right.

The Company has also filed a total of 56 prospecting licenses covering additional prospective ground in the vicinity of the Omui Property.

The Company purchased a total of 0.97 sq km of surface rights covering an area over the Omui Property for total purchase price of JPY32,027,974 (CAD$382,089).

The Company entered into long-term leases of surface rights covering a total area of 1.21 sq km in an area over the Omui Property. The total costs for the initial five-year period is JPY10,617,140 (CAD$129,369). The leases are for a five-year term and can be extended for up to three additional five-year periods. Included in long-term prepaids are the refundable deposits associated with these long-term leases.

During the year ended February 28, 2019, the Company entered into an agreement for drilling services and advanced $300,000 to the contractor for work yet to be completed on the Omu Property. During the year ended February 29, 2020, the Company made a further deposit of $380,000 and as of February 29, 2020, these advances have been reduced to $273,634.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

b) Other Properties

The Company has filed mineral prospecting licenses with the Ministry of Economy, Trade and Industry (METI) in various other areas (Prefectures) within Japan. These mineral prospecting licenses are in various stages of early exploration. The Company will conduct exploration and if a property does not warrant further exploration, the Company will surrender or withdrawal their applications from the METI. During the year, the Company wrote down deferred exploration costs in the amount of $355,471.

c) Tanzania Property

The Company, through its wholly-owned Tanzanian subsidiary, Spring Take Limited ("STL"), was granted four Prospecting Licences ("PLs") by the Ministry of Energy and Minerals in the United Republic of Tanzania, Africa. The PLs covered areas in the Mpwapwa District. This project is also part of a Joint Exploration Agreement ("JEA") with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). During the year ended February 28, 2018, the Company wrote-off the deferred exploration costs related to these PLs and during year ended February 28, 2019, the Company elected to surrender the final PLs. During the year ended February 29, 2020, the Company began the process of winding up the subsidiary in Tanzania.

d) Malawi Property

The Company has a Rare Earth Element ("REE") exploration project in Malawi, Africa through its wholly-owned Malawian subsidiaries and the JEA, with its joint venture participant, JOGMEC. The REE exploration is being operated by the Company's wholly-owned subsidiary, SSL. Under the JEA, the initial participating interest and contributions of each of the joint venture partners is 67% JOGMEC and 33% the Company.

The Company has an Exclusive Prospecting Licence ("EPL") granted to the joint venture by the Malawi Ministry of Natural Resources, Energy Environment for the Mulanje Project. Exploration work on the Mulanje Project has been carried out by the Company's wholly owned subsidiary, SSL, pursuant to the terms of the JEA with JOGMEC; however, the Company is not currently conducting any exploration on this property. Effective April 1, 2016, the Company elected to dilute its participation by not contributing further funds to the project. During the year ended February 28, 2019, the Company elected to write-down the deferred exploration costs. During the year ended February 29, 2020, the Company commenced the process of surrendering the EPL and is in the process of winding up the subsidiary in Malawi.

9. JOINT VENTURES

a) Joint Exploration Agreement

The Company holds a Joint Exploration Agreement (JEA) under which JOGMEC contributes 67% of the funding and holds a 67% option to all of the JEA projects.

The Company, as operator of the JEA, conducts REE project identification and exploration. The objective of the JEA is to identify, analyze and perform metallurgical evaluation leading to production of REEs. All the property investigation costs will be expensed as incurred until the Company assesses whether there is any future benefit of REEs and acquires the rights to the property.

b) Project Venture Agreement

On May 9, 2016 and amended on October 31, 2016, the Company entered into a Project Venture Agreement ("PVA") with JOGMEC in the Republic of Madagascar. The participating interest and contributions of each of the joint venture partners are 90% JOGMEC and 10% the Company, with the Company having an option to increase its participating interest up to 33% with the reimbursement to JOGMEC of a corresponding percentage of the costs incurred on the project. In conjunction with the PVA, the Company has incorporated a joint venture subsidiary in Madagascar named, "New River Stone Ltd". During the year, the Company commenced the process of winding up the subsidiary in Madagascar.

10. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common shares without par value:

During the year ended February 29, 2020, the Company:

a) Completed a private placement on February 20, 2020, issuing 1,400,744 common shares for gross proceeds of $5,266,797 at a price of CDN$3.76 per common share

b) Completed a private placement on April 24, 2019, issuing 3,715,630 common shares for gross proceeds of $8,014,800 at a price of CDN$2.16 per common share.

c) Issued 4,886,704 common shares for gross proceeds of $2,693,140 pursuant to the exercise of warrants.

d) Issued 1,103,333 common shares for gross proceeds of $473,750 pursuant to the exercise of stock options. The Company reallocated the fair value of these stock options previously recorded in the amount of $294,005 from reserves to share capital.

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd…)

During the year ended February 28, 2019, the Company:

a) Completed a private placement offering on November 26, 2018, issuing 1,894,365 units at $1.10 per unit for gross proceeds of $2,083,802. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable for one common share until November 26, 2020 at a price of $1.75 per share

b) Issued 7,857,084 common shares for gross proceeds of $2,340,397 pursuant to the exercise of warrants.

c) Issued 425,000 common shares for gross proceeds of $139,750 pursuant to the exercise of stock options. The Company reallocated the fair value of these stock options previously recorded in the amount of $86,115 from reserves to share capital.

Stock options

The Company, in accordance with its stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its issued and outstanding common stock. The exercise price of each option shall not be less than the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of ten years with vesting period determined by the board of directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Opening balance, February 28, 2018	2,641,667	$ 0.65
Granted	1,025,000	1.40
Exercised	(425,000)	0.33
Outstanding, February 28, 2019	3,241,667	0.93
Granted	1,875,000	2.70
Exercised	(1,103,333)	0.43
Outstanding, February 29, 2020	4,013,334	$ 1.90

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd…)

Stock options outstanding at February 29, 2020 are as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
1,063,334	1,063,334	1.00	September 6, 2020
50,000	50,000	0.83	November 9, 2020
1,025,000	683,333	1.40	November 7, 2021
140,000	46,667	2.15	April 26, 2022
100,000	33,333	2.87	August 2, 2022
1,370,000	-	2.70	September 9, 2022
200,000	-	2.77	November 5, 2022
10,000	-	2.96	December 10, 2022
55,000	-	4.00	February 24, 2023
4,013,334	1,876,667		

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Opening balance, February 28, 2018	12,739,224	$ 0.39
Granted	947,185	1.75
Exercised	(7,857,084)	0.30
Outstanding, February 28, 2019	5,829,345	0.74
Exercised	(4,886,704)	0.55
Outstanding, February 29, 2020	942,641	$ 1.75

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd…)

Warrants outstanding at February 29, 2020 are as follows:

Number of Warrants	Exercise Price	Expiry Date
942,641	$ 1.75	November 26, 2020
942,641		

Share-based compensation

During the year ended February 29, 2020, the Company granted 1,875,000 stock options to directors, officers, employees and consultants (2019 – 1,025,000). The estimated weighted average fair value of these options is $1.66 (2019 - $0.83). The total amount of fair value of vested stock options amortized during the period is $2,203,980 (2019 - $640,678). This amount has been expensed as share-based compensation in the statement of loss and comprehensive loss.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	Year ended February 29, 2020	Year ended February 28, 2019
Risk-free interest rate	1.49%	2.36%
Expected life of options	3.0 years	3.0 years
Annualized volatility	100.00%	100.00%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

11. RELATED PARTY TRANSACTIONS

	Year ended February 29, 2020	Year ended February 28, 2019
Management fees	$ 194,215	$ 171,390
Consulting fees	179,473	82,560
Property investigation	663	1,439
	$ 374,351	**$ 255,389**

11. RELATED PARTY TRANSACTIONS (cont'd…)

a) Included in the management fees were fees for services provided by the President and Chief Executive Officer and Chief Financial Officer.

b) Included in consulting fees are amounts paid to independent directors for services other than their role as directors.

c) During the year, 950,000 (2019 – 625,000) stock options were granted to directors and officers. The total vested share-based compensation allocated to directors and officers is $1,142,414 (2019 - $363,158).

d) Included in property investigations is $663 (2019 - $1,439) paid to a consultant who is a director of a subsidiary of the Company.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Other than disclosed above, there was no other compensation paid to key management during the years ended February 29, 2020 and February 28, 2019.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended February 29, 2020:

a) Included in accounts payable and accrued liabilities are $1,162,028 related to deferred exploration costs.

The significant non-cash transactions for the year ended February 28, 2019:

a) Included in accounts payable and accrued liabilities are $204,796 related to deferred exploration costs.

(Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

The Company has mineral properties and property and equipment located geographically as follows:

As at February 29, 2020	Property and equipment	Exploration and evaluation assets
Canada	$ 12,501	$ -
Japan	282,512	13,770,891
Total	$ 295,013	$ 13,770,891

As at February 28, 2019	Property and equipment	Exploration and evaluation assets
Canada	$ 438	$ -
Japan	-	4,052,121
Total	$ 438	$ 4,052,121

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at February 29, 2020, the Company's financial instruments are comprised of cash, receivables, accounts payable and accrued liabilities and lease obligations. The carrying value of receivables, accounts payable and accrued liabilities approximates their fair values due to the relatively short periods to maturity of these financial instruments. The long-term portion of lease obligations is accreted over the lease terms at market interest rate using the effective interest rate method.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of the fair value hierarchy as follows:

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 12,993,006	-	-	$ 12,993,006
Total	$ 12,993,006	$ -	$ -	$ 12,993,006

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management and the Board of Directors monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and receivables.

The Company's cash is held with high-credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and amounts due from joint venture partner.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at February 29, 2020, the Company had cash of $12,993,006 to settle current liabilities of $1,349,002 which have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

ii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of rare earth elements and other non-gold minerals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

iii) Foreign exchange rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses by using US Dollars and Japanese Yen converted from its Canadian bank accounts. Management is aware of the possibility of foreign exchange risk derived from currency conversions. Based on the net US dollar and Japanese Yen asset and liability exposure as at February 29, 2020 a 10% fluctuation in the CAD/US and CAD/YEN exchange rates would impact the Company's earnings by approximately $1,146,000. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign exchange rate risk at this time.

15. CAPITAL MANAGEMENT

The Company considers items in its shareholder equity as capital. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the Company's property exploration plans and to ensure the growth of activities.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is in the exploration stage; as such the Company will rely on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

(Expressed in Canadian Dollars)

16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019
Loss for the year	$ (3,318,252)	$ (2,884,791)
Expected income tax (recovery)	$ (896,000)	$ (779,000)
Change in statutory, foreign tax, foreign exchange rates and other	(9,000)	(4,000)
Permanent difference	597,000	579,000
Share issue cost	(3,000)	(3,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(2,000)	(3,000)
Change in unrecognized deductible temporary differences	313,000	210,000
Total income tax expense (recovery)	$ -	$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2020	2019
Deferred Tax Assets		
Exploration and evaluation assets	$ 161,000	$ 51,000
Property and equipment	4,000	-
Share issue costs	9,000	6,000
Non-capital losses available for future period	847,000	645,000
	1,021,000	702,000
Unrecognized deferred tax assets	(1,021,000)	(702,000)
Net deferred tax assets	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry Dates	2019	Expiry Dates
Temporary Differences				
Exploration and evaluation assets	$ 544,000	No expiry date	$ 189,000	No expiry date
Property and equipment	14,000	No expiry date	-	No expiry date
Share issue costs	33,000	2040 – 2041	22,000	2039 – 2041
Non-capital losses available for future period	3,046,000	2026 – 2040	2,308,000	2026 – 2039
Canada	2,387,000	2026 – 2040	1,745,000	2026 – 2039
Japan	659,000	2026 – 2030	436,000	2026 – 2029

Tax attributes are subject to review, and potential adjustment, by tax authorities.

17. SUBSEQUENT EVENTS

a) Subsequent to February 29, 2020, 163,334 stock options were exercised for gross proceeds of $163,334 and 32,727 warrants for gross proceeds of $57,272.

b) In March 2020, the World Health Organization declared a global pandemic as a result of the COVID-19 outbreak. This contagious disease, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. The pandemic has not affected the Company; however, it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.