

**MOSAIC MINERALS CORP.**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to  
December 31, 2018  
(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Mosaic Minerals Corp.

### *Opinion*

We have audited the accompanying financial statements of Mosaic Minerals Corp. (the “Company”), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these 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 year ended December 31, 2019 and the period from incorporation on June 21, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards (“IFRS”).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that as at December 31, 2019, the Company had working capital of \$186,895 and an accumulated deficit of \$378,315. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes 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 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 IFRS, 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 Erez Bahar.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

May 21, 2020

# MOSAIC MINERALS CORP.

## STATEMENTS OF FINANCIAL POSITION

For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018  
(Expressed in Canadian Dollars)

|   | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                     |                      |                      |
| <b>Current</b>                                    |                      |                      |
| Cash  | \$ 360,419           | \$ 150,007           |
| Sales taxes receivable                            | 4,495                | 10,852               |
| <b>Total Current Assets</b>                       | <b>364,914</b>       | <b>160,859</b>       |
| <b>Non-current Assets</b>                         |                      |                      |
| Exploration and evaluation assets (Note 7)        | 360,000              | 360,000              |
| <b>Total Assets</b>                               | <b>\$ 724,914</b>    | <b>\$ 520,859</b>    |
| <b>LIABILITIES</b>                                |                      |                      |
| <b>Current Liabilities</b>                        |                      |                      |
| Trade and other payables (Note 9)                 | \$ 102,503           | \$ 59,989            |
| Due to related party (Notes 5 & 9)                | 704                  | 500                  |
| Flow through share premium liability (Note 12)    | 74,812               | 41,579               |
| <b>Total Liabilities</b>                          | <b>178,019</b>       | <b>102,068</b>       |
| <b>Shareholders' Equity</b>                       |                      |                      |
| Share capital (Note 6)                            | \$ 925,210           | \$ 654,010           |
| Deficit   | (378,315)            | (235,219)            |
| <b>Total Deficiency</b>                           | <b>546,895</b>       | <b>418,791</b>       |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 724,914</b>    | <b>\$ 520,859</b>    |
| Nature of operations and going concern – Note 1   |                      |                      |
| Contingencies and commitments – Note 12           |                      |                      |

These financial statements were approved and authorized for issue by the Board of Directors on May 21, 2020.

They are signed on the Company's behalf by:

“John Cumming”  
John Cumming, Director

“Maurice Giroux”  
Maurice Giroux, Director

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

**MOSAIC MINERALS CORP.****STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018

(Expressed in Canadian Dollars)

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
| <b>Expenses</b>                                      |                      |                      |
| Administration (Note 9)                              | \$ 10,715            | \$ 9,150             |
| Consulting and management fees (Note 9)              | 21,000               | 53,853               |
| Exploration and evaluation expenditures (Note 7 & 9) | 107,238              | 143,312              |
| Finance fees   | 1,565                | 6,090                |
| Office and general                                   | 23,268               | 7,845                |
| Professional fees                                    | 32,877               | 62,740               |
|  | \$ (196,663)         | \$ (282,990)         |
| <b>Other items</b>                                   |                      |                      |
| Recovery of flow through premium (Note 12)           | 37,567               | 47,771               |
| Gain on settlement of accounts payable (Note 9)      | 16,000               | -                    |
| <b>Loss and comprehensive loss for the year</b>      | <b>\$ (143,096)</b>  | <b>\$ (235,219)</b>  |
| <b>Basic and diluted loss per share</b>              | <b>\$ (0.02)</b>     | <b>\$ (0.03)</b>     |
| <b>Weighted average number of shares outstanding</b> | <b>7,724,013</b>     | <b>7,225,569</b>     |

The accompanying notes are an integral part of these financial statements

# MOSAIC MINERALS CORP.

## STATEMENTS OF SHAREHOLDERS EQUITY

For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018

(Expressed in Canadian Dollars)

|   | SHARE CAPITAL     |                   | CONTRIBUTED<br>SURPLUS | DEFICIT             | TOTAL<br>EQUITY   |
|---|-------------------|-------------------|------------------------|---------------------|-------------------|
|   | SHARES            | AMOUNT            |                        |                     |                   |
| <b>Balance, June 21, 2018</b>             | -                 | \$ -              | \$ -                   | \$ -                | \$ -              |
| Founders shares issued for cash           | 4,500,000         | 30,000            | -                      | -                   | 30,000            |
| Shares issued for Opawica property        | 7,200,000         | 360,000           | -                      | -                   | 360,000           |
| Shares issued for cash (Non-flow through) | 2,370,750         | 97,550            | -                      | -                   | 97,550            |
| Shares issued for cash (Flow-through)     | 4,127,500         | 261,250           | -                      | -                   | 261,250           |
| Flow through premium                      | -                 | (89,350)          | -                      | -                   | (89,350)          |
| Share issue costs                         | -                 | (5,440)           | -                      | -                   | (5,440)           |
| Net loss for the period                   | -                 | -                 | -                      | (235,219)           | (235,219)         |
| <b>Balance, December 31, 2018</b>         | <b>18,198,250</b> | <b>\$ 654,010</b> | <b>\$ -</b>            | <b>\$ (235,219)</b> | <b>\$ 418,791</b> |
| Shares issued for cash (Non-flow through) | 4,188,000         | 209,400           | -                      | -                   | 209,400           |
| Shares issued for cash (Flow-through)     | 1,416,000         | 141,600           | -                      | -                   | 141,600           |
| Flow through premium                      | -                 | (70,800)          | -                      | -                   | (70,800)          |
| Share subscriptions cancelled             | (93,750)          | (5,000)           | -                      | -                   | (5,000)           |
| Share issue costs                         | -                 | (4,000)           | -                      | -                   | (4,000)           |
| Net loss for the year                     | -                 | -                 | -                      | (143,096)           | (143,096)         |
| <b>Balance, December 31, 2019</b>         | <b>23,708,500</b> | <b>\$ 925,210</b> | <b>\$ -</b>            | <b>\$ (378,315)</b> | <b>\$ 546,895</b> |

The accompanying notes are an integral part of these financial statements

**MOSAIC MINERALS CORP.****STATEMENTS OF CASH FLOWS**

For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018

(Expressed in Canadian Dollars)

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
| <b>Operating Activities</b>                              |                      |                      |
| Net loss for the year                                    | \$ (143,096)         | \$ (235,219)         |
| Items not involving cash:                                |                      |                      |
| Flow-through premium recovery                            | 37,567               | 47,771               |
| Gain on settlement of accounts payable                   | (16,000)             | -                    |
| Changes in operating assets and liabilities              |                      |                      |
| Sales taxes receivable                                   | 6,357                | (10,852)             |
| Flow through premium liability                           | (75,134)             | (6,192)              |
| Trade and other payables                                 | 58,514               | (29,361)             |
| Payable to related party                                 | 204                  | 500                  |
| <b>Cash flows used in operating activities</b>           | <b>(131,588)</b>     | <b>(233,353)</b>     |
| <b>Financing Activities</b>                              |                      |                      |
| Shares issued for cash                                   | 351,000              | 388,800              |
| Share issuance costs                                     | (4,000)              | (5,440)              |
| Share subscriptions cancelled                            | (5,000)              | -                    |
| <b>Cash flows from financing activities</b>              | <b>342,000</b>       | <b>383,360</b>       |
| Net change in cash                                       | 210,412              | 150,007              |
| Cash, beginning of the year                              | 150,007              | -                    |
| Cash, end of the year                                    | \$ 360,419           | \$ 150,007           |
| <b>Supplemental disclosure on cash flow information:</b> |                      |                      |
| Flow through premium                                     | \$ 70,800            | \$ 89,350            |
| Shares issued for exploration and evaluation assets      | \$ -                 | \$ 360,000           |
| Cash paid for interest                                   | \$ -                 | \$ -                 |
| Cash paid for income taxes                               | \$ -                 | \$ -                 |

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



# **MOSAIC MINERALS CORP.**

## **Notes to the Financial Statements**

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018**  
**(Expressed in Canadian Dollars)**

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

Mosaic Minerals Corp. (the "Company" or "Mosaic") specialize in exploration of gold mining sites located in Quebec, Canada. The Company is preparing to list its common shares on the Canadian Securities Exchange ("CSE"). The Company was incorporated under the British Columbia Business Corporations Act in June 2018 with a registered office and principal place of business at 4908 Pine Crescent, Vancouver, British Columbia, V6M 3P6.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of the amounts expensed for exploration and resource property evaluation assets are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the evaluation and development of commercially viable reserves, and upon future profitable production or proceeds from the disposition of exploration and evaluation assets.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at December 31, 2019, the Company had working capital of \$186,895 and an accumulated deficit of \$378,315. These items may cast a significant doubt on the Company's ability to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, 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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

#### **Plan of Arrangement Spin-Out Share Distribution**

On November 7, 2018, Stellar AfricaGold Inc. ("Stellar") signed an arrangement agreement with Mosaic pursuant to which Stellar would distribute to Stellar shareholders 2,000,000 of the 7,200,000 shares of Mosaic Minerals Corp.

The spin out distribution to Stellar shareholders will use a statutory plan of arrangement (the "Arrangement") and each Stellar shareholder will receive 0.0312 of a Mosaic share for each Stellar share held. On December 18, 2018 Stellar shareholders approved the plan of arrangement. The plan of arrangement and the spin out share distribution will be effective after the receipt of a final order from the British Columbia Supreme Court and after required filings are made with the BC Companies Registry.

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

#### **a) Statement of Compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to financial information as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

#### **b) Basis of Measurement**

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

#### **c) Functional and presentation currency**

The financial statements are presented in Canadian dollars.

## **MOSAIC MINERALS CORP.**

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

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018**  
**(Expressed in Canadian Dollars)**

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing purposes. The Company did not have cash equivalents as at December 31, 2019.

#### **b) Exploration property acquisition costs**

Costs related to the acquisition of exploration properties are capitalized and deferred until such time as the property is either sold, or put into production. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Costs related to the exploration and evaluation of properties are recognized in profit or loss as incurred, up to the time a decision is made to proceed with the development of the related exploration property due to the existence of economically recoverable reserves. A mineral resource is considered to have economic potential when it is expected that a documented resource can be legally and economically developed considering forecast metal prices.

Incoming option payments, or proceeds from the sale of royalty interests received by the Company are first applied to capitalised costs, with any excess recognized in profit or loss. Tax credits received are applied against the costs that generated the tax credit. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

#### **c) Provisions and Contingent Liabilities**

Provisions are recognized for liabilities of uncertain timing or amounts 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.

##### *Provision for environmental rehabilitation*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation 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 rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

For the years presented the Company has no provisions for environmental rehabilitation.

## **MOSAIC MINERALS CORP.**

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

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018**  
**(Expressed in Canadian Dollars)**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)**

##### **d) Tax Credits Receivable**

The Company is entitled to a refundable tax credit on qualified Quebec exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. Such credits are recognized as a reduction of the exploration expenses. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

##### **e) Flow-Through Shares**

###### *Flow-through shares*

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a future tax liability for the tax reduction renounced to the shareholders. The pro-rata amount of the premium is recognized as finance income and the related deferred tax is recognized as a deferred tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

##### **f) 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 recorded by providing for 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.

# **MOSAIC MINERALS CORP.**

## **Notes to the Financial Statements**

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018**  
**(Expressed in Canadian Dollars)**

### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)**

#### **g) Basic and Diluted Loss Per Share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

#### **h) Share Capital**

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit recognized from these issuance costs.

When shares are issued on the exercise of options and warrants, the share capital account also comprises the costs previously recorded as contributed surplus and warrants. When shares are issued as consideration for the acquisition of a mineral property they are measured at their fair value according to the quoted price on the date of issue.

##### **Share issuance costs**

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issuance costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issuance costs are charged to capital stock when the related shares are issued. Deferred share issuance costs related to financing transactions that are not eventually completed are charged to profit or loss.

##### **Share-based payments**

The Company applies the fair value method of accounting for all stock option awards. Under this method, compensation expense attributed to the award of options to employees is measured at the fair value of the award on the date of grant, and is recognized over the vesting period of the award. Share-based payments to non-employees are valued based on the fair value of the service received, if reliably determinable, otherwise based on the fair value of the award granted. Valuation is calculated based on the date at which the Company receives the service. If and when the stock options are ultimately exercised, the applicable amounts of other equity reserves are transferred to capital stock.

The fair value of instruments granted is measured using the Black-Scholes Option Pricing Model, taking into account the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

Warrants issued with a common share, as part of a unit offering, are valued using the residual value method. A value representing the premium to the market-price that is obtained (if any) during the issuance is attributed to the warrant.

#### **i) Foreign exchange**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss. Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

# **MOSAIC MINERALS CORP.**

## **Notes to the Financial Statements**

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018**  
**(Expressed in Canadian Dollars)**

### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)**

#### **j) Impairment of non-financial assets**

The recoverability of amounts expended on exploration property acquisition costs is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to overcome the regulatory, financing and other hurdles in order to complete their development and future profitable production or proceeds from the disposition thereof.

The Company performs impairment tests on property and equipment and exploration property interests when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project-by-project basis with each project representing a single cash generating unit.

When impairment indicators are identified, an impairment loss is recognized if the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use or the asset's fair value less costs to sell.

An impairment loss is reversed if there is an indication that there has been a favourable 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 amounts that would have been determined (net of depreciation) if no impairment loss had been recognized.

#### **k) Financial instruments**

##### **Classification**

Financial assets are classified at initial recognition as either: measured at amortized cost, Fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise.

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

# **MOSAIC MINERALS CORP.**

## **Notes to the Financial Statements**

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018**  
**(Expressed in Canadian Dollars)**

### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)**

#### **k) Financial instruments (continued)**

##### **Measurement**

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement operations and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

##### **Impairment**

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **l) Accounting Pronouncements Adopted**

On January 1, 2019, the Company adopted IFRS 16, Leases and IFRIC 23, Uncertainty over Income Tax Treatments which has an initial application as at this date.

The newly adopted IFRS 16, Leases standard establishes principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company has assessed its office lease agreement and concluded that the agreement does not constitute the ability to direct the use (right to use) of the underlying office premises in the context of IFRS 16. As such, the adoption of the above standard has not had an impact on the results and financial position of the Company.

The newly adopted IFRIC 23, Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12, Income Taxes when there is uncertainty over income tax treatments. The adoption of IFRIC 23 has not had an impact on the consolidated financial statements of the Company.

## **MOSAIC MINERALS CORP.**

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

**For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018**  
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#### **4. ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to use judgement in making estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management has made judgements in a number of areas in preparing these financial statements. Those judgements that have the most significant effect on the amounts recognised in the financial statements are the determination whether the entity remains a going concern, and the assessment of impairment indicators for the Company's exploration property acquisition costs. Areas of critical accounting estimates include share-based payments and warrants and deferred tax assets.

##### **Critical judgements**

###### **a) Going concern**

These statements have been prepared on the assumption that the Company is able to continue as a going concern. Additional information relating to the going concern assumption is disclosed in Note 1.

###### **b) Impairment of exploration property acquisition costs**

Management's judgement is that there were no significant indicators of impairment of certain exploration property acquisition costs. Ownership in exploration properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many exploration properties. Also, the Company must periodically apply to the relevant government entities for exploration-licence renewals, extensions and conversions and is subject to those entities' decisions. The Company has investigated ownership of its exploration properties and in management's judgement, ownership of its remaining exploration property interest is in good standing at December 31, 2019.

##### **Key sources of estimation uncertainty**

###### **c) Share-based payments and warrants**

Determining the fair value of options and warrants requires the exercise of judgement related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Option and warrant pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options or warrants at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity. Refer to Note 6 for a summary of assumptions used.

###### **d) Deferred tax assets**

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. Actual results may differ from the estimates made. Judgements and estimates, and their underlying assumptions, are reviewed on an ongoing basis. Revisions to accounting estimates or judgements are recognized in the period in which the estimates are revised and in any future periods affected.

## **MOSAIC MINERALS CORP.**

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

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#### **5. LOANS PAYABLE**

A director of the Company has paid a creditor of the Company \$704 (2018 - \$500) in expenses on behalf of the Company. This loan is unsecured, has no terms of repayment and does not bear interest. (Note 9)

#### **6. SHARE CAPITAL**

##### **i. Authorized**

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meetings of the Company.

##### **ii. Issued during the year ended December 31, 2019**

On November 28, 2019 the Company issued 5,604,000 units consisting of 4,188,000 common shares for gross proceeds of \$209,400 or \$0.05 per share and 1,416,000 common shares with CEE income tax flow through benefits for gross proceeds of \$141,600 or \$0.10 per share. Each unit consists of one common share and one share purchase warrant exercisable at \$0.10 per share and expiring 24 months after November 28, 2019. The 2,802,000 warrants were allocated a value of \$nil using the residual value allocation method.

In connection with the above private placement the Company paid \$4,000 in share issuance costs.

The Company cancelled the issuance of 93,750 shares and refunded \$5,000 to the original subscriber.

##### **iii. Issued during the period from the date of incorporation June 21, 2018 to December 31, 2018**

During the period the Company issued 4,500,000 shares of common stock to founders of the Company for cash of \$30,000 or \$0.0067 per share.

On July 30, 2018, the Company issued 5,327,500 units consisting of 1,942,500 common shares for \$77,700 cash or \$0.04 per share and 3,385,000 common shares with Canadian Exploration Expense ('CEE') income tax flow through benefits for cash of \$203,100 or \$0.06 per share.

On October 15, 2018, the Company issued 218,750 units consisting of 156,250 common shares for \$6,250 cash or \$0.04 per share and 62,500 common shares with CEE income tax flow through benefits for cash of \$3,750 or \$0.06 per share.

On October 15, 2018, the Company issued 7,200,000 common shares valued at \$360,000 for the acquisition of the Opawica mineral property described in Note 7.

On December 28, 2018 the Company issued 952,000 units consisting of 272,000 common shares for \$13,600 cash or \$0.05 per share and 680,000 common shares with CEE income tax flow through benefits for cash of \$54,400 or \$0.08 per share. Pursuant to this financing the Company issued 476,000 share purchase warrants exercisable at \$0.10 per share for a period of 18 months. The 476,000 warrants were allocated a value of \$nil using the residual value allocation method.

In connection with the December 2018 financing, the Company issued 11,200 share purchase warrants exercisable at \$0.05 per share for a period of 18 months with a nominal fair value based on the Black Scholes model. The Black Scholes valuation model was used to determine the fair value of the warrants with the following assumptions: risk free rate of 1.75%, expected annual volatility of 100%, expected life of 18 months, expected dividend yield of 0% and an exercise price of \$0.05.



**MOSAIC MINERALS CORP.****Notes to the Financial Statements**

For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018

(Expressed in Canadian Dollars)

**6. SHARE CAPITAL****iv. Warrants**

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

|                                | Number of<br>warrants | Weighted<br>average<br>remaining life<br>(in years) | Expiry date       | Exercise price |
|--------------------------------|-----------------------|---|-------------------|----------------|
| Outstanding, June 21, 2018     | -                     | -   | -                 | -              |
| June 28, 2020                  | 11,200                | 1.49  | June 28, 2020     | \$ 0.05        |
| June 28, 2020                  | 476,000               | 1.49  | June 28, 2020     | \$ 0.10        |
| Outstanding, December 31, 2018 | 487,200               | 1.49  |                   |                |
| November 28, 2019              | 2,802,000             | 1.91  | November 28, 2020 | \$ 0.10        |
| Outstanding, December 31, 2019 | 3,289,200             | 1.70  |                   | \$ 0.10        |

**v. Stock Options**

The Company had granted no options to acquire common shares at December 31, 2019 or 2018.

**7. EXPLORATION AND EVALUATION EXPENDITURES**

|   | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|
| <b>EXPLORATION EXPENDITURES</b>           |                      |                      |
| Geophysics, trenching and sampling        | \$ 64,055            | \$ 92,967            |
| Geologist and professional fees           | 33,730               | 45,300               |
| General exploration and campsite expenses | 9,453                | 5,045                |
| <b>TOTAL EXPLORATION EXPENSES</b>         | <b>\$ 107,238</b>    | <b>\$ 143,312</b>    |

Pursuant to a June 28, 2018 sale agreement, amended July 27, 2018, the Company acquired the Opawica mineral property located in Quebec for \$360,000 through the issuance of 7,200,000 shares of Mosaic Minerals Corp. at \$0.05 per share (Note 6).

**MOSAIC MINERALS CORP.****Notes to the Financial Statements**

For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018  
(Expressed in Canadian Dollars)

**8. INCOME TAXES**

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

|  | December 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Statutory rate                             | 27%               | 27%               |
| Loss for the year                          | \$ (143,096)      | \$ (235,219)      |
| Expected income tax recovery               | \$ (39,000)       | \$ (64,000)       |
| Impact of flow through shares              | 29,000            | 39,000            |
| Share issue costs                          | (1,000)           | (1,000)           |
| Change in unrecognized deferred tax assets | 11,000            | 26,000            |
| Total income tax recovery                  | \$ -              | \$ -              |

The significant components of the Company's unrecorded deferred tax assets are as follows:

|   | December 31, 2019 | December 31, 2018 |
|---|-------------------|-------------------|
| Deferred Tax Assets                             |                   |                   |
| Share issue costs                               | \$ 2,000          | \$ 1,000          |
| Non-capital losses available for future periods | 35,000            | 25,000            |
|   | 37,000            | 26,000            |
| Unrecognized deferred tax assets                | (37,000)          | (26,000)          |
| Net deferred tax assets                         | \$ --             | \$ --             |

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

|  | December 31,<br>2019 | Expiry Date<br>Range | December 31,<br>2018 | Expiry Date<br>Range |
|--|----------------------|----------------------|----------------------|----------------------|
| Share issuance costs                               | \$ 6,000             | 2040 to 2041         | \$ 4,000             | 2039 to 2041         |
| Non-capital losses<br>available for future periods | \$ 131,000           | 2020 to 2039         | \$ 93,000            | 2019 to 2038         |

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

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#### **9. RELATED PARTY TRANSACTIONS**

The Company's related parties include Company directors, officers, key management and companies held by key management.

During the year ended December 31, 2019 the Company entered into an unsecured, non-interest bearing loan with a director of the Company in the amount of \$704 (2018 - \$500). There is no term of repayment. (Note 5).

Related party transactions include executive remuneration, shareholder loans to the Company and interest paid or accrued on shareholder loans and unpaid remuneration.

During the year ended December 31, 2019 the Company paid \$25,000 (2018 - \$14,600) to a director of the Company for management fees, of which \$4,000 was related to share issuance costs and capitalized to share capital, paid a director \$10,000 (2018 - \$nil) for administrative services and paid a director of the Company \$107,238 (2018 - \$73,900) in project management fees (included in exploration and evaluation expenditures).

During the year ended December 31, 2019, the Company settled outstanding payable amounts with a director of the Company resulting in a gain on settlement of accounts payable of \$16,000 (2018 - \$nil).

As at December 31, 2019 amounts due to key management personnel was \$43,232 (2018 - \$11,250).

During the year ended December 31, 2018, the Company closed its purchase of the Opawica property located in Quebec from Stellar in exchange for 7,200,000 shares of common stock of Mosaic Minerals Corp. at a deemed price of \$0.05 per share. Mosaic has two directors in common with the property vendor.

#### **10. CAPITAL MANAGEMENT**

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners of the parent.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means. The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which proceeds are committed for exploration work.

The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings.

When financing conditions are not optimal the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the years being presented.

## **MOSAIC MINERALS CORP.**

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

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#### **11. FINANCIAL INSTRUMENT RISK DISCLOSURES**

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized below. The main risks the Company is exposed to are credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

The most significant financial risks to which the Company is exposed to are described below.

##### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2019 the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

|      | December 31,<br>2019 | December 31,<br>2018 |
|------|----------------------|----------------------|
| Cash | \$ 360,419           | \$ 150,007           |

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are government agencies or reputable banks with high quality external credit ratings.

##### **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Over the past period, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through financings.

The Company's trade and other payables all contractually mature within three months, except for amounts due to related parties which are payable on demand.

**MOSAIC MINERALS CORP.****Notes to the Financial Statements**

For the year ended December 31, 2019 and for the period from incorporation on June 21, 2018 to December 31, 2018

(Expressed in Canadian Dollars)

**11. FINANCIAL INSTRUMENT RISK DISCLOSURES (Cont'd...)****Liquidity risk (Cont'd...)**

The carrying amounts and fair value of financial instruments presented in the statement of financial position are as follows:

| December 31, 2019            |                 |            |
|------------------------------|-----------------|------------|
|                              | Carrying amount | Fair value |
| <b>FINANCIAL ASSETS</b>      |                 |            |
| Cash                         | \$ 360,419      | \$ 360,419 |
| Sales tax receivable         | 4,495           | 4,495      |
| <b>FINANCIAL LIABILITIES</b> |                 |            |
| Trade and other payables     | 102,503         | 102,503    |
| Related party loan           | 704             | 704        |
| December 31, 2018            |                 |            |
|                              | Carrying amount | Fair value |
| <b>FINANCIAL ASSETS</b>      |                 |            |
| Cash                         | \$ 150,007      | \$ 150,007 |
| Sales tax receivable         | 10,852          | 10,852     |
| <b>FINANCIAL LIABILITIES</b> |                 |            |
| Trade and other payables     | 59,989          | 59,989     |
| Related party loan           | 500             | 500        |

**12. CONTINGENCIES AND COMMITMENTS**

During the year ended December 31, 2019, the Company raised \$141,600 of flow-through financing (2018 - \$261,250). By December 31, 2018, \$143,212 had been spent on eligible exploration expenditure and the Company spent \$107,238 by December 31, 2019 which resulted in a recovery of flow-through premium of \$37,567 (2018 - \$47,771). The Company has a remaining commitment to spend \$152,300.

The following is a continuity schedule of the deferred premium liability on flow-through share issuances:

|  |           |
|--|-----------|
| Balance June 21, 2018  | \$ -      |
| Initial recognition of deferred premium on flow through shares       | 89,350    |
| Settlement of flow-through share liability on incurring expenditures | (47,771)  |
| Balance at December 31, 2018   | \$ 41,579 |
| Initial recognition of deferred premium on flow through shares       | 70,800    |
| Settlement of flow-through share liability on incurring expenditures | (37,567)  |
| Balance at December 31, 2019   | \$ 74,812 |