Cleghorn Minerals Ltd.

Financial Statements
Years ended on March 31, 2020 and 2019

FINANCIAL STATEMENTS

Raymond Chabot
Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Cleghorn Minerals Ltd.

Opinion

We have audited the financial statements of Cleghorn Minerals Ltd. (hereafter "the Company"), which comprise the statements of financial position as at March 31, 2020 and 2019, and the statements of loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor’s responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor’s report thereon, included in management's discussion and analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (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 Alain Lemaire.

Raymond Chabot Grant Thornton LLP[1]

Val-d'Or
July 10, 2020

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[1] CPA auditor, CA public accountancy permit no. A109964

Cleghorn Minerals Ltd.

Statements of Financial Position

As at March 31, 2020 and 2019

(in Canadian dollars)

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	6	294,509	139,459
Sales taxes receivable		3,355	7,364
Prepaid expenses		6,947	6,937
		304,811	153,760
Non-current assets			
Exploration and evaluation assets	7	1,100,300	976,862
Total assets		1,405,111	1,130,622
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		10,631	22,319
Total liabilities		10,631	22,319
Equity			
Share capital	8	2,139,429	1,854,429
Units to be issued	7	116,383	-
Contributed surplus	9	210,663	144,515
Warrants	8	243,231	243,231
Deficit		(1,315,226)	(1,133,872)
Total equity		1,394,480	1,108,303
Total liabilities and equity		1,405,111	1,130,622

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These financial statements were approved and authorized for issue by the Board of Directors on July 10, 2020.

Signed: "Glenn J. Mullan" Director

Signed: "Andrew T. Pepper" Director

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

Cleghorn Minerals Ltd.

Statements of Loss and Comprehensive Loss

For the years ended on March 31, 2020 and 2019

(in Canadian dollars)

	Notes	2020 $	2019 $
Operating expenses			
Accounting fees		30,000	30,000
Audit fees		18,096	17,160
Legal fees		20,026	10,559
Regulatory and transfer agent fees		20,191	20,952
Shareholder's information		777	3,653
Office expenses		7,286	6,941
Travel & representation fees		1,557	-
Other expenses		-	396
Bank charges		1,618	1,554
Stock-based compensation	9	64,942	-
Net loss and comprehensive loss		(164,493)	(91,215)
Basic and diluted net loss per common share	3	(0.008)	(0.004)
Weighted average number of common shares outstanding (basic and diluted)		21,629,110	20,636,015

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

Cleghorn Minerals Ltd.

Statements of Changes in Equity

For the years ended on March 31, 2020 and 2019

(in Canadian dollars)

	Notes	Share capital Number	Share capital $	Units to be issued $	Warrants $	Contributed surplus $	Deficit $	Total $
Balance – April 1st, 2018		20,258,618	1,680,797	-	243,231	204,147	(1,042,657)	1,085,518
Exercise of stock options	9	950,000	173,632	-	-	(59,632)	-	114,000
Net loss and comprehensive loss		-	-	-	-	-	(91,215)	(91,215)
Balance – March 31, 2019		21,208,618	1,854,429	-	243,231	144,515	(1,133,872)	1,108,303
Issuance of units under a private placement	8	5,700,000	285,000	-	-	-	-	285,000
Issuance of units as part of an acquisition of exploration and evaluation assets	7	-	-	116,383	-	-	-	116,383
Share issuance costs (deferred tax asset of $4,468 not recognized)	8	-	-	-	-	-	(16,861)	(16,861)
Stock-based compensation	9	-	-	-	-	66,148	-	66,148
Net loss and comprehensive loss		-	-	-	-	-	(164,493)	(164,493)
Balance – March 31, 2020		26,908,618	2,139,429	116,383	243,231	210,663	(1,315,226)	1,394,480

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

Cleghorn Minerals Ltd.

Statements of Cash Flows

For the years ended on March 31, 2020 and 2019

(in Canadian dollars)

	Notes	2020 $	2019 $
Operating activities			
Net loss for the year		(164,493)	(91,215)
Items not affecting cash			
Stock-based compensation	9	64,942	-
		(99,551)	(91,215)
Change in non-cash working capital items			
Sales taxes receivable		4,009	221
Prepaid expenses		(10)	(1,737)
Accounts payable and accrued liabilities		8,977	(8,391)
		12,976	(9,907)
Net cash related to operating activities		(86,575)	(101,122)
Investing activities			
Additions to exploration and evaluation assets and net cash related to investing activities	7	(26,514)	(167,156)
Financing activities			
Issuance of units under a private placement	8	285,000	-
Share issuance costs	8	(16,861)	-
Exercise of stock options	9	-	114,000
Net cash related to financing activities		268,139	114,000
Increase (decrease) in cash and cash equivalents during the year		155,050	(154,278)
Cash and cash equivalents – Beginning of year		139,459	293,737
Cash and cash equivalents – End of year		294,509	139,459

Additional cash flow information	11		

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

1 Nature of operations, going concern and Covid-19

Cleghorn Minerals Ltd., incorporated on February 16, 2010 under the Business Corporations Act of British Columbia (the "Company") is involved in the process of exploring, evaluating and promoting its mineral property and other projects. The head office of the Company is located at 152 Chemin de la Mine École, Val d'Or, Québec, Canada. The Company's registered and records office is located at #1810 - 1111 West Georgia Street, Vancouver, B.C. V6E 4M3. The Company also has exploration offices located at 2864 Chemin Sullivan, Val-D'Or, Quebec, J9P 0B9.

The Company's shares, which are listed on the TSX Venture Exchange, are trading under the symbol "CZZ".

Going concern

Management of the Company believes that it has sufficient funds to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company’s ability to continue future operations beyond March 31, 2021 and fund its exploration and evaluation expenditures is dependent on management’s ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

Covid-19

In March 2020, the COVID-19 outbreak was declared a pandemic and numerous measures were put in place by the federal, provincial and municipal governments to protect the public. During this period of uncertainty, the Company priority is to safeguard the health and safety of personnel and host communities, support and enforce government actions to slow the spread of COVID-19, and to continually assess and mitigate the risks to the business operations.

The Company has implemented a COVID-19 response plan that includes a number of measures to safeguard against the spread of the virus at its offices and sites. Although there have not been any impacts to the Company’s operations, the Company cannot provide assurance that there will not be disruptions to its operations in the future. If the Company’s operations are impacted or expected to be impacted, the Company will seek measures to preserve cash including suspension of discretionary spending and other legal means to reduce and minimize contractual spending.

2 Changes in accounting policies

Accounting standards and interpretations issued and in effect

IFRIC 23, Uncertainty over Income Tax Treatment ("IFRIC 23")

On April 1, 2019, the Company adopted IFRIC 23 which clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

a) Whether an entity considers uncertain tax treatments separately;

b) The assumptions an entity makes about the examination of tax treatments by taxation authorities;

c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

d) How an entity considers changes in facts and circumstances.

The adoption of IFRIC 23 had no impact on the financial statements.

3 Basis of presentation and significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with IFRS. The Company has consistently applied the same accounting policies throughout all the periods presented in these financial statements, except for the new accounting standards adopted during the year ended March 31, 2020 (Note 2).

Basis of measurement

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

Functional and presentation currency

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

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that can be withdrawn at any time without penalty and which are subject to an insignificant risk of change in value.

Segment disclosure

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

The Company has determined that it has only one operating segment, the sector of exploration and evaluation of mineral resources. All its exploration and evaluation assets are located in Canada.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, which occurs when it is either discharged, canceled or expired.

The classification of financial instrument under IFRS 9 is based on the Company's business model and the characteristics of the contractual cash flow of the financial asset of liability.

Financial Assets

Financial assets are recognized initially at fair value plus transaction costs, except for financial assets carried at fair value through net income or loss ("FVTPL") or through other comprehensive income (loss) ("FVTOCI"), which are measured initially at fair value. On initial recognition, the Company classifies its financial assets in the following measurement categories:

Amortized costs

A financial asset shall be measured at amortized cost if both of the following conditions are met:

i. The financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, they are measured at amortized cost using the effective rate method. The update is omitted if its effect is not significant. The Company's cash and cash equivalents are measured at amortized cost as they meet the required criteria.

All income and expenses relating to financial assets are presented in Interest expense or Interest income in profit or loss.

In the period presented, the Company does not have any financial assets recognized as FVTPL or FVTOCI.

Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. It must take into account past events, current circumstances, reasonable and justifiable forecasts that affect expected recoverability of future cash flows of the financial instrument.

The Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An external rating of investment grade is considered to indicate that a financial instrument that may be considered as having low credit risk. The estimate of expected credit losses is determined at each reporting date to reflect changes in credit risk since the initial recognition of the related financial as set.

Financial liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial instruments are measured at amortized cost using the effective interest rate method. The Company's accounts payable and accrued liabilities are measured at amortized cost. Interest expense and, in the case may be, changes in the fair value of an instrument are presented in Interest expense in profit or loss.

Tax credit receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of exploration and evaluation costs incurred based on estimates made by management. 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.

Exploration and evaluation ("E&E") assets

The Company is in the exploration stage with respect to its investment in E&E assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. E&E expenditures include expenses directly attributable to the related activities.

The aggregate costs related to abandoned mineral properties are recognized as an impairment charge in the statement of income (loss) and comprehensive income (loss) at the time of any abandonment, when the permits expired and are not renewed or when it has been determined that there is evidence of a permanent impairment.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, E&E assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Title to property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Impairment of exploration and evaluation assets

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash-generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

a) the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
b) no further exploration or evaluation expenditures in the areas are planned or budgeted;
c) no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
d) sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Equity

Share capital represents the amount received on the issue of shares. If shares are issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement. If units are issued in return for mining property, the shares issued are recorded at the fair value according to the day of the conclusion of the agreement and the warrants are valued at the fair value according to Black-Scholes valuation model.

Equity financing

The equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and warrants. Depending on the terms and conditions of the equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price at the date of issuance. The balance, if any, is allocated to the attached warrants.

Issuance of flow-through units represents in substance an issue of common shares and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as liability component related to the flow-through units in the statement of financial position. The proceeds received from flow-through units are allocated between shares, warrants and liability component related to the flow-through units using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to their fair value at the date of issuance and the residual proceeds are allocated to liability component related to the flow-through units. The liability component recorded initially on the issuance of shares is reduced, on a pro-rata basis, as the Company fulfills its expenditure renunciation obligation associated with such flow-through units issuances, with an offsetting amount recognized as income. The fair value of warrants is determined using the Black Scholes options pricing model.

A deferred tax liability equal to the tax value of flow-through expenditures renounced is recognized once the Company has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled when eligible expenditures have been incurred and management establishes the intent to make renunciation filings with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

Other elements of equity

Contributed surplus includes charges related to stock options until such are exercised and charges related to warrants expired.

Warrants includes fair values allocated to the warrants issued. When warrants are exercised, the related cost and fair value are transferred to share capital.

Deficit includes all current and prior period retained profits and losses and issuance costs, net of any underlying income tax benefit from these issuance costs.

Equity-settled share-based payments

The fair value, at the grant date, of equity-settled share-based awards (except equity-settled share-based payments to brokers) is recognized as an expense in profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment, over the period for which the benefits of employee and others providing similar services are expected to be received using the graded vesting method. The corresponding accrued entitlement is recorded in contributed surplus. The fair value of awards is calculated using the Black-Scholes valuation model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected life of the award
- Current market price

Share-based payment transactions with non-employees or share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of stock options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if stock options ultimately exercised are different to that estimated on vesting.

Upon exercise of stock options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the stock options recorded in contributed surplus are then transferred to share capital.

Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

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

Basic and diluted income (loss) per share

Basic income (loss) per share (“IPS”/”LPS”) is calculated by dividing the net income (loss) for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted IPS/LPS is calculated by adjusting the weighted average number of shares outstanding for dilutive potential common shares. The Company’s potentially dilutive common shares are comprised of stock options and warrants. The number of common shares included is computed using the treasury stock method unless they are anti-dilutive. Under this method, the proceeds from the exercise of such instruments are assumed to be used to purchase common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares and the difference between the number of common shares issued upon exercise and the number of common shares assumed to be purchased is included in the calculation.

The diluted income (loss) per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and stock options (Note 8 and 9).

Provisions

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

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

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

At March 31, 2020 and 2019, there is no provision in the statement of financial position.

4 Future accounting policies

IAS 1, Presentation of Financial Statements ("IAS 1") and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1, and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on of after January 1, 2020. The Company does not expect any impact in its financial statements upon adoption of IAS 1 and IAS 8.

5 Critical accounting estimates and judgments

Significant judgments and estimation uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant estimates and judgments used in applying accounting policies that have most significant effect on the amounts recognized in the financial statements are as follows:

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information become available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Management judged that there's no impairment required on the Meech Lake Matachewan Prospect. The Company has sufficient funds to respect its short-term obligations and has both the intention and capacity to keep the property. Claims will not expire in the near future and the Company can thus pursue exploration activities on this property and promising results were obtained on this property.

(in Canadian dollars)

Fair value

Estimating fair value for stock options, warrants and finder's warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield. The fair value is evaluated using the Black-Scholes pricing model at the date of grant. The Company has made estimates as to the expected volatility, and expected life of stock options, warrants and finder's warrants. The expected volatility is based on the volatility of similar listed companies, over the period of the expected life which is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Recognition of deferred tax assets and measurement of income tax expense

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to use 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 tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Company's ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

6 Cash and cash equivalents

	2020 $	2019 $
Cash	294,509	129,459
Guaranteed investment certificate	-	10,000
	294,509	139,459

7 Exploration and evaluation assets

Meech Lake Matachewan Prospect

The Company owns a 100% interest in the Meech Lake Matachewan Prospect which consists of four (4) mining claims situated in the Argyle, McNeil and Robertson Townships, approximately 25 km Northwest of Matachewan, in Northeastern Ontario within the Abitibi Greenstone Belt. Following the MLAS claim to cell conversion process completed by Ontario's Ministry of Northern Development and Mines (MNDM), the four (4) original legacy claims covering 656 ha were converted to 41 cells (36 single cells and 5 boundary cells) covering an area of 831.51ha.

(in Canadian dollars)

On March 7, 2020, the Company signed a mineral claim purchase agreement for the acquisition of a 100% interest in 142 mineral claims known as the Sprague and Odie prospects in consideration of 1,500,000 units. Each unit comprises one common share in the capital of the Company and one-half of one purchase common share warrant. The fair value of the shares was evaluated at $90,000. Each whole warrant entitles the holder to acquire an additional common share in the capital of the Company at a price of $0.10 until April 8, 2022. The fair value of the warrants was evaluated using the Black & Scholes valuation model at $26,383 (Note 8). The 1,500,000 units were issued on April 8, 2020 (Note 17).

The Sprague prospect is located directly adjacent to the northeast corner of the Meech Lake Matachewan prospect and the Odie prospect is located directly adjacent to the southwest corner of the Meech Lake Matachewan prospect.

Three (3) of the original mining claims are subject to a 3% NSR on metals or minerals (iron, titanium, vanadium, gold, silver, copper, zinc and any and all other minerals or elements) produced from the property. The Company shall be entitled to repurchase 0.5% of the NSR, leaving the vendor with a 2.5% NSR, by paying to the vendor $1,000,000 and an additional 1%, leaving the vendor with a 1.5% NSR, by paying the vendor an additional $3,000,000.

As part of a prospecting funding application, the Company signed, on September 13, 2016, a funding and royalty agreement with Ontario Exploration Corporation under which the Company granted a 0.5% NSR on its Meech Lake Prospect in consideration of $10,000 in cash.

The royalty agreement has a buyback clause which provides that the Company can purchase one-half of the 0.5% royalty for a dollar value that increases over time, ranging from a purchase price of $15,000 before the second anniversary of the date of the agreement to a purchase price of $250,000 from the 11th anniversary of the agreement and beyond.

The following table presents a summary of exploration and evaluation assets:

	2018 $	Activity $	2019 $	Activity $	2020 $
Meech Lake Matachewan Prospect (Ontario)					
Acquisition costs and claim maintenance fees	399,848	2,595	402,443	116,383	518,826
Drilling	307,652	66,708	374,360	-	374,360
Sampling & testing	10,256	52,622	62,878	686	63,564
Geophysics	42,585	-	42,585	-	42,585
Line cutting	39,955	-	39,955	-	39,955
Geology	19,917	11,263	31,180	3,057	34,237
Technical & field consultants	5,631	5,437	11,068	2,106	13,174
Maps & publications	8,265	2,411	10,676	-	10,676
General expenses	5,006	4,353	9,359	-	9,359
Geochemistry	-	2,358	2,358	-	2,358
Stock-based compensation	-	-	-	1,206	1,206
Proceeds from the sale of a 0.5% NSR	(10,000)	-	(10,000)	-	(10,000)
Total E&E assets	829,115	147,747	976,862	123,438	1,100,300

8 Share capital

Authorized

Unlimited number of voting common shares without par value.

Transactions on share capital

2019

On November 7, 2018 a total of 950,000 stock options were exercised at a price of $0.12 per share for total proceeds of $114,000.

2020

On March 5, 2020 the Company issued 5,700,000 units at a price of $0.05 per unit for total proceeds of $285,000. Each unit comprises one common share in the capital of the Company and one non-transferable common share purchase warrant, each warrant entitling the holder to purchase one common share in the capital of the Company at a price of $0.10 per share until March 5, 2023. There was no value allocated to the warrant using the residual value. The Company incurred a total of $16,861 in share issuance costs as part of this financing which were recorded under the deficit in the statement of changes in equity.

Escrowed shares

As required by applicable securities commissions and the rules of the TSX, and under an agreement entered with a transfer agent from Computershare Investor Services Inc., a total of 9,513,928 common shares have been placed in escrow and deposited with a trustee under escrow agreements before the completion of the Qualifying Transaction. On August 18, 2016, following the completion of the Qualifying Transaction, 10% of the escrowed shares were released. The balances of restricted shares will be released at a rate of 15% in each of the anniversaries of 6, 12, 18, 24, 30 and 36 months following the initial release. As at March 31, 2020, there were no escrowed shares (1,427,089 as at March 31, 2019).

(in Canadian dollars)

Warrants

The following table shows the changes in warrants:

	2020		2019	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Outstanding – Beginning of year	6,181,674	0.13	6,181,674	0.13
Issued	5,700,000	0.10	-	-
Outstanding and exercisable – End of year	11,881,674	0.11	6,181,674	0.13
To be issued (Note 17)	750,000	0.10	-	-

The fair value of the warrants to be issued was determined using the Black & Scholes valuation model based on the following assumptions:

	2020
Price at issuance	$0.06
Exercise price	$0.10
Expected dividend	-
Expected volatility	138.4%
Risk-free interest rate	0.55%
Expected life	2 years
Fair value per warrant	$0.035

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrants. No special feature inherent to the warrants to be issued were incorporated into measurement of fair value.

An amount of $26,383 was recognized in units to be issued as at March 31 ,2020 in the statement of changes in equity and capitalized to the exploration and evaluation assets.

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

		2020	2019
Expiration date	**Exercise price $**	**Number of warrants outstanding**	**Number of warrants outstanding**
August 18, 2021 (a)	0.12	4,550,000	4,550,000
August 18, 2021 (a)	0.15	1,631,674	1,631,674
March 5, 2023	0.10	5,700,000	-
		11,881,674	6,181,674

(in Canadian dollars)

(a) On June 25, 2019, the Board of Directors approved the extension of the expiry date of the outstanding warrants from August 18, 2019 to August 18, 2021. The warrants contain an accelerated expiry provision such that the exercise period of the warrants will be reduced to 30 days if for any 10 consecutive trading days during the unexpired term of the warrants (the "Premium Trading Days") the closing price of the Company's common shares exceeds the respective $0.12 or $0.15 exercise price by 25% or more (which would be a respective trading price of $0.15 or $0.1875 per share or higher), the accelerated 30 day expiry period to begin no more than 7 calendar days after the 10^{th} Premium Trading Day. The accelerated expiry provision will continue to apply to the warrants on extension of the term to expiry.

9 Stock options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX (the'' Stock Option Plan'') pursuant to which it has granted options to purchase common shares to directors, officers and technical consultants. The options will be exercisable at the price set by the Company's board of directors and for a period of up to ten years from the date of grant, provided that the number of common shares reserved for issuance under the Share Option Plan does not exceed ten percent (10%) of the issued and outstanding common shares of the Company on the date of grant, provided that the option exercise price is not to be lower than permitted under the policies of the TSX.

The following table shows the changes in stock options:

	2020		2019	
	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
Outstanding – Beginning of year	250,000	0.20	1,550,000	0.13
Issued	1,370,861	0.06	-	-
Exercised	-	-	(950,000)	0.12
Expired	-	-	(350,000)	0.12
Outstanding and exercisable – End of year	1,620,861	0.08	250,000	0.20

In 2019, the weighted average share price at the date of exercise was $0.08.

(in Canadian dollars)

The fair value of stock options granted was determined using the Black & Scholes valuation model based on the following assumptions:

	2020
Price at the grant date	$0.06
Exercise price	$0.06
Expected dividend	-
Expected volatility	114%
Risk-free interest rate	1.36%
Expected life	5 years
Fair value per stock option	$0.05

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

An expense for stock-based compensation of $66,148 was recognized during the year ended March 31, 2020 (2019 – nil). An amount of $64,942 was recognized in the statement of loss and comprehensive loss and $1,206 was capitalized to the exploration and evaluation assets.

The number of outstanding stock options that could be exercised for an equal number of common shares is as follows:

			2020		2019
Expiry date	Exercise price $	Number outstanding	Number exercisable	Number outstanding	Number exercisable
November 16, 2020	0.20	250,000	250,000	250,000	250,000
September 6, 2024	0.06	1,370,861	1,370,861	-	-
		1,620,861	1,620,861	250,000	250,000

(in Canadian dollars)

10 Income taxes

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2020 $	2019 $
Current tax expense (income)	-	-
Deferred tax expense (income)		
Origination and reversal of temporary differences	(15,679)	(24,273)
Impact of change in tax rate	44	164
Change in unrecognized temporary differences	15,635	24,109
Total deferred tax expense (income)	-	-
Total income tax expense (income)	-	-

Relationship between expected tax expense (income) and accounting profit or loss

The relationship between the expected tax expense (income) based on the combined income tax rate in Canada and the reported tax expense (income) in the statement of income (loss) and comprehensive income (loss) can be reconciled as follows:

	2020 $	2019 $
Loss before income taxes	(164,493)	(91,215)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.58 % (2019 – 26.68%)	(43,714)	(24,336)
Impact of change in tax rate	44	164
Stock-based compensation	17,258	-
Non-deductible items	10,777	63
Change in unrecognized temporary differences	15,635	24,109
Deferred income tax expense (income)	-	-

(in Canadian dollars)

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities.

	Balance on April 1, 2019 $	Profit (loss) $	Equity $	Balance on March 31, 2020 $
Deferred income tax liabilities				
Exploration and evaluation assets	(33,699)	(6,022)	-	(39,721)
Deferred income tax assets				
Non-capital loss carry forwards	33,699	6,022	-	39,721
Deferred income tax asset (liability)	-	-	-	-

	Balance on April 1, 2018 $	Profit (loss) $	Equity $	Balance on March 31, 2019 $
Deferred income tax liabilities				
Exploration and evaluation assets	(33,699)	-	-	(33,699)
Deferred income tax assets				
Non-capital loss carry forwards	33,699	-	-	33,699
Deferred income tax asset (liability)	-	-	-	-

Unrecognized deferred tax assets

The Company has the following temporary differences for which no deferred tax has been recognized:

	2020		2019	
	Federal	Provincial	Federal	Provincial
	$	$	$	$
Issuance costs	30,702	30,702	34,538	34,538
Exploration and evaluation assets	-	125,735	-	165,876
Other assets	917	917	917	917
Non-capital losses	788,345	1,052,364	708,523	932,688
	819,964	1,209,718	743,978	1,134,019

The ability to realize the tax benefits is dependant upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At March 31, 2020, deferred tax assets totalling $262,112 ($242,009 at March 31, 2019) have not been recognized.

(in Canadian dollars)

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the statement of financial position, that can be carried over the following years:

	Federal $	Provincial $
2030	-	18,622
2031	-	30,608
2032	-	90,143
2033	30,290	155,621
2034	81,112	81,112
2035	103,025	103,025
2036	116,271	116,086
2037	109,424	109,375
2038	119,940	119,940
2039	108,320	108,156
2040	119,963	119,676
	788,345	1,052,364

The Company has investment tax credit carryovers of $14,535 ($14,535 as at March 31, 2019) that expire in 2033 and 2034, which are available to reduce income taxes payable in future years.

11 Additional cash flow information

The following significant non-cash transactions have been excluded from the statements of cash flows:

	2020 $	2019 $
Accounts payable included in exploration and evaluation assets	-	20,665
Stock-based compensation included in exploration and evaluation assets	1,206	-
Issuance of units as part of an acquisition of exploration and evaluation assets	116,383	-

12 Financial assets and liabilities

	2020		2019	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets at amortized cost				
Cash and cash equivalents	294,509	294,509	139,459	139,459
Financial liabilities at amortized				
Accounts payable and accrued liabilities	10,631	10,631	22,319	22,319

The carrying value of cash and cash equivalents and accounts payable and accrued liabilities is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

13 Capital management policies and procedures

The Company's objectives in managing capital is to safeguard its ability to continue its operations, to increase the value of the assets of the business and to provide an adequate return to owners. These objectives will be achieved by identifying the right exploration prospects, 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares to improve its financial performance and flexibility. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve.

The Company monitors capital on the basis of the carrying amount of equity. Capital for reporting period under review is summarized in Note 8 and in the statement of changes in equity. The Company is not subject to any externally imposed capital requirements.

14 Financial risk factors

The Company is exposed to various financial risks in relation to its financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

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

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk relates to the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The Company's maximum exposure to credit risk is limited to the carrying amount of cash and cash equivalents amounted to $294,509 ($139,459 in 2019). The risk related to cash and cash equivalents is considered negligible as the Company is dealing with a reputable financial institution whose credit rating is excellent.

Liquidity risk

Liquidity risk is the risk that the Company 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 cash equivalents and to ensure that the Company has potential financing sources. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations.

Accounts payable and accrued liabilities are due within less than 30 days. The Company's existing cash resources significantly exceed the current cash outflow requirements.

15 Related parties

Related parties include the Company's key management personnel and related companies. Unless otherwise stated, balances are usually settled in cash.

Key management personnel are the Company's members of the Board of Directors and officers.

Transactions with key management personnel

During the year ended March 31, 2020, the Company incurred fees of $30,000 ($30,000 for the year ended March 31, 2019) with the CFO. These fees are recorded under accounting fees.

Two directors participated in the private placement for a total amount of $100,000.

16 Commitment

The Company entered into a consulting agreement with an indefinite term which will call for a monthly payment of $2,500.

17 Subsequent event

On April 8, 2020, the Company issued 1,500,000 units in connection with the acquisition of the Sprague and Odie prospects. Each unit comprises one common share in the capital of the Company and one-half of one purchase common share warrant. The fair value of the units was evaluated at $ 116 383 (Note 7).