

**Condensed Interim Financial Statements**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

**For the Three Months Ended March 31, 2020**

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Financial Statements

**March 31, 2020**

**(Canadian Funds)**

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of Fjordland Exploration Inc. (“the Company” or “Fjordland”), for the three months ended March 31, 2020, have been prepared by management and have not been the subject of a review by the Company’s Independent auditor.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| FJORDLAND EXPLORATION INC.  **Condensed Interim Statements of Financial Position**  *(Unaudited)*  *(Expressed in Canadian Dollars)* | | | | | | | | | |
|  |  | | | | | | | | |
| **March 31,** | | |  | | December 31, | | |
|  |  | **2020** | | |  | | 2019 | | |
|  | Note |  | | |  | | (Audited) | | |
|  |  |  |  |  | |  | |  |
| Assets |  |  |  |  | |  | |  |
|  |  |  |  |  | |  | |  |
| Current |  |  |  |  | |  | |  |
| Cash |  | $ | 645,355 |  | | $ | | 685,964 |
| Receivables | 5 |  | 38,334 |  | |  | | 38,232 |
| Prepaids |  |  | - |  | |  | | 155 |
|  |  |  |  |  | |  | |  |
|  |  |  | 683,689 |  | |  | | 724,351 |
|  |  |  |  |  | |  | |  |
| **Deposits** | 6 |  | 15,191 |  | |  | | 15,191 |
|  |  |  |  |  | |  | |  |
| **Mineral Properties** | 7 |  | 1,635,377 |  | |  | | 1,634,590 |
|  |  |  |  |  | |  | |  |
| **Right of Use Asset** | 8 |  | 8,826 |  | |  | | 14,122 |
|  |  |  |  |  | |  | |  |
|  |  | $ | 2,343,083 |  | | $ | | 2,388,254 |
|  |  |  |  |  | |  | |  |
| Liabilities |  |  |  |  | |  | |  |
|  |  |  |  | |  | |  |  | |
| Current |  |  |  | |  | |  |  | |
| Accounts payable and accrued liabilities | 9 | $ | 30,979 | |  | | $ | 27,066 | |
| Lease liability |  |  | 9,535 | |  | |  | 15,069 | |
|  |  |  |  | |  | |  |  | |
|  |  |  | 40,514 | |  | |  | 42,135 | |
|  |  | | | | | | | | |
| Shareholders’ equity |  | | | | | | | | |
|  |  |  |  | |  | |  |  | |
| **Share Capital** | 11 |  | 18,673,208 | |  | |  | 18,673,208 | |
|  |  |  |  | |  | |  |  | |
| **Share-based Payments Reserve** |  |  | 757,228 | |  | |  | 757,228 | |
|  |  |  |  | |  | |  |  | |
| Deficit |  |  | (17,127,867) | |  | |  | (17,084,317) | |
|  |  |  |  | |  | |  |  | |
|  |  |  | 2,302,569 | |  | |  | 2,346,119 | |
|  |  |  |  | |  | |  |  | |
|  |  | $ | 2,343,083 | |  | | $ | 2,388,254 | |

Nature and continuance of operations *(Note 1)*

Commitment (*Note 12)*

Subsequent events *(Note 14)*

Approved and authorized by the Board on May 6, 2020

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| On behalf of the Board: |  | *“Richard C. Atkinson”* |  | *“Victor A. Tanaka”* |
|  |  | Richard C. Atkinson |  | Victor A. Tanaka |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| FJORDLAND EXPLORATION INC.  **Condensed Interim Statements of Loss and Comprehensive Loss**  *(Unaudited)*  *(Expressed in Canadian Dollars)* | | | | | | | |
|  | |  | | | | | | | | | |
|  | | |  | Three Months | | |  | | | Three Months | |
|  | | |  | Ended | | |  | | | Ended | |
|  | | |  | March 31, | | |  | | | March 31, | |
|  | | | Note | 2020 | | |  | | | 2019 | |
|  | | |  |  |  |  | | |  | |  |
| General and administrative expenses | | |  |  |  |  | | |  | |  |
| Accounting and audit | | | 10 | $ | 9,000 |  | | | $ | | 9,000 |
| Administration fees | | | 10 |  | 9,600 |  | | |  | | 9,000 |
| Depreciation | | | 8 |  | 5,296 |  | | |  | | - |
| Filing fees | | |  |  | 5,200 |  | | |  | | 5,200 |
| Financing costs | | |  |  | 331 |  | | |  | | - |
| Office and printing | | |  |  | 576 |  | | |  | | 451 |
| Rent | | |  |  | 1,845 |  | | |  | | 6,114 |
| Marketing | | |  |  | 10,789 |  | | |  | | 4,680 |
| Share-based compensation | | | 11(b) |  | - |  | | |  | | 5,148 |
| Transfer agent fees | | |  |  | 913 |  | | |  | | 846 |
|  | |  |  |  |  | | |  | |  |
| **Loss before other items** | |  |  | (43,550) |  | | |  | | (40,439) |
|  | |  |  |  |  | | |  | |  |
| Other items | |  |  |  |  | | |  | |  |
| Operator fees | |  |  | - |  | | |  | | 195 |
|  | |  |  |  |  | | |  | |  |
| **Loss and comprehensive loss for the period** | |  | $ | (43,550) |  | | | $ | | (40,244) |
|  | |  |  |  |  | | |  | |  |
| Basic and diluted loss per share | |  | $ | 0.00 |  | | | $ | | 0.00 |
|  | |  |  |  |  | | |  | |  |
|  | |  |  |  |  | | |  | |  |
| Weighted Average Shares Outstanding | |  |  | 47,763,339 |  | | |  | | 47,463,339 |
|  | |  |  |  |  | | |  | |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| FJORDLAND EXPLORATION INC.  **Condensed Interim Statements of Cash Flows**  *(Unaudited)*  *(Expressed in Canadian Dollars)* | | | | | | | |
|  | | | | | | | |
|  | Three | |  | | Three | | |
|  | Months Ended | |  | | Months Ended | | |
|  | March 31, | |  | | March 31, | | |
|  | 2020 | |  | | 2019 | | |
|  |  |  | |  | |  |  |
| **Cash provided by (used for):** |  |  | |  | |  |  |
|  |  |  | |  | |  |  |
| **Operating activities** |  |  | |  | |  |  |
| Loss for the period | $ | (43,550) | |  | | $ | (40,244) |
| Items not affecting cash: |  |  | |  | |  |  |
| Deprecation |  | 5,296 | |  | |  | - |
| Finance costs |  | 331 | |  | |  | - |
| Share-based compensation |  | - | |  | |  | 5,148 |
|  |  |  | |  | |  |  |
| Net change in non-cash working capital |  |  | |  | |  |  |
| Receivables |  | (102) | |  | |  | (41,762) |
| Project advances |  | - | |  | |  | (7,976) |
| Prepaid expenses |  | 155 | |  | |  | 151 |
| Accounts payable |  | 3,913 | |  | |  | (3,843) |
|  |  |  | |  | |  |  |
|  |  | (33,957) | |  | |  | (88,526) |
|  |  |  | |  | |  |  |
| Investing activities |  |  | |  | |  |  |
| Advance – HPX BC Holdings |  | - | |  | |  | (6,229) |
| Recoveries mineral properties |  | - | |  | |  | 14,206 |
| Acquisition and exploration costs related to mineral properties |  | (787) | |  | |  | (16,900) |
| Deposits |  | - | |  | |  | 69,865 |
| Lease payments |  | (5,865) | |  | |  | - |
|  |  |  | |  | |  |  |
|  |  | (6,652) | |  | |  | 60,942 |
|  |  |  | |  | |  |  |
| Change in cash |  | (40,609) | |  | |  | (27,584) |
|  |  |  | |  | |  |  |
| Cash position - beginning of period |  | 685,964 | |  | |  | 800,082 |
|  |  |  | |  | |  |  |
| Cash position - end of period | $ | 645,355 | |  | | $ | 772,498 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | |  | |
|  |  | |  | |
| Income taxes paid | $ | - | $ | - |
| Interest paid | $ | - | $ | - |

|  |
| --- |
| FJORDLAND EXPLORATION INC.  **Condensed Interim Statements of Shareholders’ Equity**  **For the Periods Ended March 31**  *(Unaudited)*  *(Expressed in Canadian Dollars)* |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | |  |  |  |
|  |  |  |  | **Share Capital** | | **Share-based Compensation** |  | **Total Shareholder's** |
|  |  |  |  | **No. of Shares** | **Amount** | **Reserve** | **Deficit** | **Equity** |
| Balance, December 31, 2018 | | | | 47,463,339 | $18,622,865 | $888,670 | $(16,980,579) | $2,530,956 |
|  |  |  |  |  |  |  |  |  |
| Issued for other consideration | | | |  |  |  |  |  |
| Transfer to deficit on expiry of warrants | | | | - | 29,343 | (29,343) | - | - |
|  | | | |  |  |  |  |  |
| Share-based compensation | | | | - | - | 5,148 | - | 5,148 |
|  | | | |  |  |  |  |  |
| Loss for the period | | | | - | - | - | (40,244) | (40,244) |
| Balance, March 31, 2019 | | | | 47,463,339 | $18,652,208 | $864,475 | $(17,020,823) | $2,495,860 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | |  |  |  |
|  |  |  |  | **Share Capital** | | **Share-based Compensation** |  | **Total Shareholder's** |
|  |  |  |  | **No. of Shares** | **Amount** | **Reserve** | **Deficit** | **Equity** |
| Balance, December 31, 2019 | | | | 47,763,339 | $18,673,208 | $757,228 | $(17,084,317) | $2,346,119 |
|  |  |  |  |  |  |  |  |  |
|  | | | |  |  |  |  |  |
| Loss for the period | | | | - | - | - | (43,500) | (43,500) |
| Balance, March 31, 2020 | | | | 47,763,339 | $18,6673,208 | $757,228 | $(17,127,867) | $2,302,569 |

**1. NATURE OF CONTINUANCE OF OPERATIONS**

Fjordland Exploration Inc. (the “Company” or “Fjordland”) was incorporated on September 19, 1996 pursuant to the *Company Act* (British Columbia) and the common shares were listed for trading on the TSX Venture Exchange (“Exchange”). The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flow.

The Company’s head office, principal address and registered and records office is 1100, 1111 Melville Street, Vancouver, British Columbia, Canada, V6E 3V6.

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired. The Company has a deficit of $17,127,867 and has incurred a loss of $43,550 for the period ended March 31, 2020. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

**2. STATEMENT OF COMPLIANCE**

These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The financial statements have been prepared on a historical basis, using the accrual basis of accounting except for cash flow information. The accounting policies set out in Note 3 have been applied consistently to all years presented in these financial statements unless otherwise indicated.

These financial statements were authorized for issue by the Board of Directors on May 6, 2020.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

The condensed interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

**(b) Use of Estimates and Judgment**

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(b) Use of Estimates and Judgment** (continued)

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

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

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties and valuation of share-based payments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

1. Going concern

The Company has exercised judgement in determining that its available funds are insufficient to continue operations for the ensuing year.

### (c) Segmented information

The Company has one operating segment, mineral acquisition and exploration, and operates in one geographical segment, being Canada.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(d) Financial Instruments**

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

On initial recognition, a financial asset is classified as and measured at: amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”). Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at FVOCI whereby changes in the investment’s fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is available on an investment-by-investment basis.

Financial liabilities are designated as either fair value through profit or loss, or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period.  The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

The Company has classified and measured its financial instruments as follows:

* Cash is classified as FVTPL
* Receivables are classified as amortized cost
* Deposits are classified as amortized cost
* Accounts payable is classified as amortized cost
* Lease liability is classified as amortized cost

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(e) Leases**

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset (“ROU asset”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset to asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

* fixed payments, including in-substance fixed payments;
* variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
* amounts expected to be payable under any residual value guarantee;
* exercise price under a purchase option that the Company is reasonably certain to exercise:
* lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option: and
* penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(e) Leases**

Variable lease payments that do not depend on an index or rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in profit or loss in the period in which they are incurred.

The ROU assets are presented within “Right-of-use Assets” and the lease liabilities are presented in “Current Portion of Lease Liability” and “Non-Current Portion of Lease Liability” on the statement of financial position.

**(f) New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments***

On June 7, 2017, the IASB issued IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments* (“IFRIC 23”). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

There was no impact to the Company’s financial statements as a result of adopting this new standard.

**4. FINANCIAL AND CAPITAL RISK MANAGEMENT**

The Company's financial instruments consist of cash, receivables, deposits, accounts payable, accrued liabilities and advances. The fair value of these financial instruments, other than cash, approximates their carrying value, unless otherwise noted. Cash is measured at fair value using level 1 inputs.

**Credit Risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company’s cash is primarily held in major Canadian financial institutions. The Company’s receivables consist of recoveries and reimbursements for mineral property costs. Management believes that the credit risk concentration with respect to these financial instruments is minimal.

**Interest Rate Risk**

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

**Liquidity Risk**

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets. As the Company does not have operating cash flow, the Company has relied primarily on equity financings to meet its capital requirements. The Company is exposed to liquidity risk.

**Foreign Exchange Risk**

The Company is not exposed to significant foreign exchange risk as it operates in Canada and does not undertake any significant foreign currency transactions.

**4. FINANCIAL AND CAPITAL RISK MANAGEMENT** (continued)

**Capital management**

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company defines its capital as shareholder’s equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares periodic expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company’s investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. The Company is not subject to any externally imposed capital restrictions.

**5. RECEIVABLES**

The Company’s receivables are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | |
|  |  | | March 31, | | December 31, | |
|  |  | | 2020 | | 2019 | |
|  |  | |  | |  | |
| GST receivable |  |  | $ | 2,198 | $ | 2,096 |
| Exploration deposits refund |  |  |  | 36,136 |  | 36,136 |
|  |  | |  | |  | |
|  |  |  | $ | 38,334 | $ | 38,232 |

**6. DEPOSITS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | |  | |
|  | March 31, | | December 31, | |
|  | 2020 | | 2019 | |
|  |  | |  | |
| Office lease deposit | $ | 4,910 | $ | 4,910 |
| Exploration deposits |  | 10,281 |  | 10,281 |
|  |  | |  | |
|  | $ | 15,191 | $ | 15,191 |

**7. MINERAL PROPERTIES**

1. **South Voisey’s Bay, Labrador**

**Commander Agreement**

The Company, in September 2014 as amended November 2014, entered into a Memorandum of Understanding (“MOU”) with Commander Resources Ltd (“Commander”) whereby the Company was granted an option to earn a 75% undivided interest in the South Voisey’s Bay property.

The Company has earned a 15% interest in the property by having expended $350,000 in exploration costs prior to the option agreement expiration on August 15, 2015.

The Company, in June 2017, entered into a Letter of Intent (“LOI”) with Commander Resources Ltd (“Commander”) whereby the Company was granted a series of options to earn an additional 85% undivided interest in the South Voisey’s Bay property by incurring the following cash, exploration expenditures and share issuance:

1. 20% interest - 200,000 common shares (issued at a value of $19,000) and $600,000 (incurred) in exploration expenditures on or before October 31, 2017
2. 40% interest - $10,000 (paid) and 250,000 common shares (issued at a value of $47,500)

on or before July 26, 2018

$15,000 (paid) and 300,000 common shares (issued at a value of ($21,000) on or before July 26, 2019

$25,000 and 350,000 common shares on or before July 26, 2020

$40,000 and 400,000 common shares and $2,400,000 in exploration

expenditures on or before October 31, 2021

iii) 25% interest - $200,000 and 3,000,000 common shares and $5,000,000 in exploration expenditures on or before October 31, 2024.

A 2% net smelter returns royalty (“NSR”) will be granted upon exercising the final payment. 1% of the NSR may be repurchased for consideration of $5,000,000. Upon commencement of commercial production, an advanced royalty payment will be made in the amount of $10,000,000.

**HPX Agreement**

On September 5, 2017 the Company entered into an agreement with HPX BC Holdings Inc. (“HPX”), an affiliate of Ivanhoe Industries, LLC. Under the terms of the agreement, HPX has subscribed by means of a private placement and has been issued 14,000,000 units of the Company for proceeds of $1,400,000. In addition, HPX has the option to incur, on behalf of the Company, $7,400,000 ($2,600,000 - paid) in exploration expenditures and to make $290,000 ($25,000 - paid) of property payments. If the funding is completed and the Company acquires a 100% interest in the South Voisey’s Bay project, the Company has agreed to assign a 65% project interest to HPX.

As at December 31, 2017, the Company has earned an additional 20% interest in the property having issued 200,000 common shares and expended $600,000 in exploration cost, and has a total interest earned of 35%.

HPX may also nominate two directors if they maintain equity ownership of between 10-50%, and three directors if greater than 50%.

HPX also maintains an anti-dilution right, such that they have the right to participate in future financings to maintain their ownership percentage.

**7. MINERAL PROPERTIES** (continued)

1. **South Voisey’s Bay, Labrador** (continued)

**Consortium Agreement**

On July 24, 2018, the Company signed a letter of intent with a consortium of private claim holders. (“The Consortium”) granting the Company the option to acquire a 100% interest in certain mining claims located in the South Voisey’s area, Labrador. Under the terms of the agreement, the Company has the option to pay to The Consortium $110,000 ($20,000 - paid) and incur $120,000 in exploration expenditures over a period of three years. The Consortium retains a 3% NSR that may be reduce to 1% by paying $600,000 for the first 1% reduction and $1,200.000 for the second 1% reduction.

During fiscal 2019, as a result of terminating the Consortium agreements, The Company wrote off capitalized acquisition and exploration costs of $44,029 (2018 - $nil).

**(b) Milligan West, BC**

In February 2013, the Company and Serengeti Resources Inc. consolidated certain claims located in north central British Columbia into the Milligan West project. Initially ownership was shared equally however, as a result of the Company electing not to participate in the 2016 and 2017 exploration program it’s interest has been diluted to 42.4% (2019 - 43.7%).

During fiscal 2018, the Company wrote off the property with a value of $151,334 (2017 - $nil).

**8. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

Under IFRS 16 – *Leases*, the Company assesses whether a contract is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

The Company identified a single contract that is a lease as defined under IFRS 16. In analyzing the identified agreements in relation to its head office space in Vancouver, BC, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all of the facts and circumstances surrounding the inception of the contract (but not future events that are not likely to occur). Lease liabilities were calculated with a discount rate of 10%.

**8. RIGHT-OF-USE ASSET AND LEASE LIABILITY** (continued)

A reconciliation of the carrying amount of the lease liability for the year period ended March 31, 2020 is as follows:

|  |  |  |
| --- | --- | --- |
| **Lease liability** |  |  |
| December 31, 2019 (Note 3(e)) | $ | 15,069 |
| Lease payments |  | (5,865) |
| Lease interest (finance costs) |  | 331 |
|  |  |  |
| **March 31, 2020** | $ | 9,535 |
|  |  |  |
| **Current portion of lease liability** |  | 9,535 |
| **Non-current portion of lease liability** |  | - |

|  |  |  |
| --- | --- | --- |
| **Maturity analysis – contractual undiscounted cash flows** | |  |
|  | |  |
| Less than one year | $ | 9,535 |
| One to five years |  | - |
| More than five years |  | - |
|  |  |  |
|  |  |  |
| **Total undiscounted lease liability** | $ | 9,535 |

|  |  |  |
| --- | --- | --- |
| **Right-of-use asset** |  |  |
| December 31, 2019 | $ | 14,122 |
| Depreciation |  | (5,296) |
|  |  |  |
| **March 31, 2020** | $ | 8,826 |

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | |
|  |  | | March 31, | | December 31, | |
|  |  | | 2020 | | 2019 | |
|  |  | |  | |  | |
| Trades payable |  |  | $ | 509 | $ | 1,328 |
| Accruals |  |  |  | 25,738 |  | 25,738 |
| Related parties payable |  |  |  | 4,732 |  | - |
|  |  | |  | |  | |
|  |  |  | $ | 30,979 | $ | 27,066 |

**10. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. Their remuneration, including share-based compensation, of key management person during the three months ended March 31, 2020 and 2019 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  | 2020 |  | 2019 |
| Administration fees | $ | 9,600 | $ | 9,000 |
| Accounting fees |  | 9,000 |  | 9,000 |
|  | $ | 18,600 | $ | 18,000 |

Amounts due to related parties are included in accounts payable (Note 9), are unsecured and non-interest bearing.

**11. SHARE CAPITAL**

**(a) Authorized**

As at March 31, 2020, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

**(b) Stock Options**

Options to purchase common shares have been granted to directors, officers, employees, and consultants at exercise prices determined by reference to the market value on the date of the grant.

In June 2019, the Company received shareholder approval for a 10% Rolling Stock Option Plan.

Stock option transactions are summarized as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **March 31, 2020** | | **December 31, 2019** | |
|  |  | Weighted |  | Weighted |
|  |  | Average |  | Average |
|  | Shares | Exercise Price | Shares | Exercise Price |
|  |  |  |  |  |
| Outstanding at beginning of period | 2,341,000 | $0.32 | 3,260,000 | $0.30 |
| Granted | - | - | - | - |
| Expired/Forfeited | - | - | (919,000) | $0.25 |
|  |  |  |  |  |
| Outstanding at end of period | 2,341,000 | $0.30 | 2,341,000 | $0.32 |
|  |  |  |  |  |
|  |  |  |  |  |

**11. SHARE CAPITAL** (continued)

**(b) Stock Options** (continued)

As at March 31, 2020, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | |
| Number of Shares | Exercisable | Expiry Date | Exercise Price |  |
|  |  |  |  |  |
| 966,000 | 966,000 | September 12,2022 | $0.55 |  |
| 1,375,000 | 1,343,750 | June 28, 2023 | $0.165 |  |
|  |  |  |  |  |
| 2,341,000 | 2,341,000 |  |  |  |

No options were granted in the quarter ended March 31, 2020 and March 31, 2019. Total share-based compensation expense recognized for the options that vested during the period was

$Nil (2019 - $5,148).

**(d) Warrants**

There were no outstanding warrants in the quarter ended March 31, 2020 and March 31, 2019.

**12. COMMITMENT**

The Company has remaining commitment of $12,275 for its office lease expiring on August 31, 2020 (Note 8).

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The Company had non-cash transactions as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2020 | | 2019 | |
|  |  | |  | |
| Significant non-cash investing and |  | |  | |
| financing activities: |  | |  | |
|  |  | |  | |
| Investing activities |  | |  | |
| Mineral properties expenditures included in accounts  payable and accrued liabilities | $ | - | $ | 56 |
| Advance applied to mineral property | - | | 7,976 | |
|  |  | |  | |
| Financing activities |  | |  | |
| Expiration of options and warrants | $ | - | $ | 29,343 |

**14 . SUBSEQUENT EVENTS**

(a) Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in the future.

**14 . SUBSEQUENT EVENTS** (continued)

(b) On May 5, 2020, the Company announced that it has entered into a definitive option agreement with CanAlaska Uranium Ltd. (“CanAlaska”) Subject to regulatory approval, the agreement allows the Company to earn up to an 80% interest in CanAlaska’s 100%-owned North Thompson Nickel Project in Manitoba, Canada.

As summarized below the agreement grants to the Company the option, over a 6-year period, to incur on a graduated basis, exploration expenditures of $9 million, make cash property payments aggregating $150,000 and issue periodically up to 8.5 million common shares.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Option Stage** | **FEX**  **Interest**  **Earned (%)** | **Cash**  **Payment**  **($)** | **FEX Shares Issued** | **Exploration**  **Expenditure**  **($)** | **Timeline (months)** |
| **On signing** |  | 25,000 | 1,000,000 |  | On TSXV Approval |
| **Stage 1** | 49 |  |  | 1,500,000 | 24 |
| **Stage 2** | 21 | 50,000 | 1,500,000 | 2,500,000 | 24 |
| **Stage 3** | 10 | 75,000 | 6,000,000 | 5,000,000 | 24 |
| **Totals** | **80** | **150,000** | **8,500,000** | **9,000,000** | **72** |
| **Feasibility Bonus** |  |  | **10,000,000** |  |  |

(c) The Company entered into a new office lease agreement commencing September 1, 2020 and terminating on August 31, 2025, with monthly payments approximating $3,000 over the term.