# MINFOCUS EXPLORATION CORP.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018

## (EXPRESSED IN CANADIAN DOLLARS)

# Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Minfocus Exploration Corp. (the "Company") are the responsibility of the Directors.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board appropriate in the circumstances.

Management has established processes, which are in place to provide sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*(s) Kenneth de Graaf*
Chief Executive Officer

*(s) Jody Bellefleur*
Chief Financial Officer

Vancouver, Canada

June 24, 2019

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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## Independent Auditor's Report

To the Shareholders of Minfocus Exploration Corp.

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**
We have audited the consolidated financial statements of Minfocus Exploration Corp. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at February 28, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for Opinion**
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of revenue, has a working capital deficiency as at February 28, 2019 and is dependent upon the future receipt of equity financing to maintain its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**
Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 audits.

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 G. Cameron Dong.

De Visser Gray LLP

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada
June 24, 2019

# Minfocus Exploration Corp.
**Consolidated Statements of Financial Position**
**As at February 28, 2019 and 2018**
**(Expressed in Canadian Dollars)**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | 17,163 | 14,098 |
| Amounts receivable and prepaid expenses | 6,998 | 3,322 |
| Total current assets | 24,161 | 17,420 |
| Equipment (Note 6) | 8,013 | 10,016 |
| Interest in exploration properties and exploration and evaluation expenditures (Note 7) | 768,934 | 1,767,467 |
| **Total assets** | 801,108 | 1,794,903 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables (Note 10(b)) | 324,959 | 156,713 |
| Loan (Note 13) | - | 750 |
| **Total liabilities** | 324,959 | 157,463 |
| **Shareholders' equity** | | |
| Issued capital (Note 8) | 7,307,293 | 6,951,782 |
| Equity reserve (Note 8) | 247,801 | 241,841 |
| Deficit | (7,078,945) | (5,556,183) |
| **Total shareholders' equity** | 476,149 | 1,637,440 |
| **Total shareholders' equity and liabilities** | 801,108 | 1,794,903 |

Going concern (Note 1)
Commitments and contingencies (Note 7)

These financial statements were approved by the Board of Directors and authorized for issue on June 25, 2019.

*(s) Kenneth de Graaf*, Director

*(s) Graham Wilson*, Director

## Minfocus Exploration Corp.
**Consolidated Statements of Loss and Comprehensive Loss**
**For the years ended February 28,**
**(Expressed in Canadian Dollars)**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **General and administrative expenses** | | |
| Consulting fees | 124,401 | - |
| Depreciation | 2,003 | 2,504 |
| Interest expense (Note 10(d)) | 7,431 | 2,686 |
| General exploration | - | 403 |
| Office and administrative (Notes 10(a)) | 73,617 | 48,821 |
| Professional fees | 106,547 | 11,409 |
| Share based compensation (Note 8) | 5,960 | 111,782 |
| | 319,959 | 177,605 |
| Other items | | |
| Impairment of interests in exploration properties (Note 7) | (1,273,498) | (209,632) |
| Reversal and settlement of accounts payable (Note 10(b)) | 70,695 | 20,783 |
| **Net loss and comprehensive loss** | 1,522,762 | 366,454 |

| | 2019 | 2018 |
|---|---|---|
| Basic and diluted net loss per share | $ 0.11 | $ 0.04 |
| Weighted average number of common shares outstanding | | |
| - basic and diluted (Note 9) | 14,176,624 | 9,818,246 |

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

# Minfocus Exploration Corp.
**Consolidated Statements of Cash Flows**
**For the years ended February 28**
**(Expressed in Canadian Dollars)**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss for the year | (1,522,762) | (366,454) |
| Non-cash adjustments: | | |
| Depreciation | 2,003 | 2,504 |
| Impairment of exploration properties (Note 7) | 1,273,498 | 209,632 |
| Share based compensation | 5,960 | 111,782 |
| Write-off accounts payable | (70,695) | (20,783) |
| Non-cash working capital items: | | |
| Amounts receivable and prepaid expenses | (3,676) | 19,153 |
| Trade and other payables | 266,879 | (49,444) |
| **Cash flows used in operating activities** | (48,793) | (93,610) |
| **Cash flows from financing activities** | | |
| Issue of common shares and warrants | - | 77,500 |
| Common share issue costs | - | (3,800) |
| Issuance of (repayment of) loan, net | (750) | 33,826 |
| **Cash flows from (used in) financing activities** | (750) | 107,526 |
| **Cash flows from (used in) investing activities** | | |
| Interest in exploration properties and exploration and evaluation expenditures | (19,772) | (6,947) |
| Mining tax credit received | 72,380 | - |
| **Cash flows from (used in) investing activities** | 52,608 | (6,947) |
| Net change in cash | 3,065 | 6,969 |
| Cash, beginning of year | 14,098 | 7,129 |
| Cash, end of year | 17,163 | 14,098 |

| | 2019 | 2018 |
|---|---|---|
| **Supplemental information:** | | |
| Change in accounts payable attributable to property exploration | 2,766 | 59,096 |
| Common shares issued for interest in exploration and evaluation properties (Note 7 and Note 8(b)(i) and (iii)) | 324,807 | 32,000 |
| Common shares issued for debt (Note 10(b)) | 30,704 | 322,293 |
| Common shares issued for loan (Note 10(d)) | - | 140,051 |
| Finders' warrants issued (Note 8(b)(ii) and (iv)) | - | 317 |

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

# Minfocus Exploration Corp.

**Consolidated Statements of Changes in Shareholders' Equity**
**For the years ended February 28,**
**(Expressed in Canadian Dollars)**

| | Number of Shares | Issued Capital | Equity Reserve | Deficit | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance, February 28, 2017** | 8,477,245 | 6,404,964 | 108,833 | (5,189,729) | 1,324,068 |
| Private placements (Note 8(b)) | 442,857 | 73,700 | - | - | 73,700 |
| Warrants issued (Note 8(b)) | - | (21,226) | 21,226 | - | - |
| Shares issued for debt (Note 8(b)) | 1,320,985 | 462,344 | - | - | 462,344 |
| Shares issued for exploration and evaluation properties (Note 8(b)) | 221,429 | 32,000 | - | - | 32,000 |
| Stock options granted (Note 8) | - | - | 111,782 | - | 111,782 |
| Net loss for the year | - | - | - | (366,454) | (366,454) |
| **Balance, February 28, 2018** | 10,462,516 | 6,951,782 | 241,841 | (5,556,183) | 1,637,440 |
| Shares issued debt (Note 8(b)) | 289,705 | 30,704 | - | - | 30,704 |
| Shares issued for exploration and evaluation properties (Note 8(b)) | 7,630,001 | 324,807 | - | - | 324,807 |
| Options granted (Note 8) | - | - | 5,960 | - | 5,960 |
| Net loss for the year | - | - | - | (1,522,762) | (1,522,762) |
| **Balance, February 28, 2019** | 18,382,222 | 7,307,293 | 247,801 | (7,078,945) | 476,149 |

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

## 1. Nature of operations and going concern

Minfocus Exploration Corp. ("Minfocus Exploration" or the "Company") was incorporated under the British Columbia Business Corporations Act on May 6, 2010. The Company completed its Initial Public Offering ("IPO") on October 19, 2010 and its shares were listed on the TSX Venture Exchange (the "TSXV") on October 21, 2010. The Company is principally engaged in the business of exploring and developing base and precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date the Company has not earned significant revenues. The head office of the Company is located at Suite 488 - 625 Howe Street, Vancouver, British Columbia, V6C 2T6.

On August 1, 2018, the Company completed a consolidation of the outstanding common shares of the Company on the basis of seven (7) pre-consolidation shares for one (1) post-consolidation share. All shares referenced in these financial statements have been amended to reflect the post-consolidated values.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to social and government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business.

As at February 28, 2019, the Company has not earned revenue and has an accumulated deficit of $7,078,945 (2018 - $5,556,183), had cash of $17,163 (2018 - $14,098) and a working capital deficit of $300,798 (2018 - $140,043). The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

## 2. Summary of significant accounting policies

### *(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended February 28, 2019. The policies set out below have been consistently applied to all periods presented.

**2. Summary of significant accounting policies (Continued)**

*(b) Basis of presentation and consolidation*

The consolidated financial statements have been prepared on the historical cost basis, except for cash equivalents which are reflected at fair value as set out in the accounting policies below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements include the financial statements of the Company and its wholly owned Canadian subsidiaries Minfocus International Inc. ("Minfocus International") and 2244223 Ontario Inc. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

*(c) Presentation and functional currency*

These consolidated financial statements are presented in the Canadian dollar functional currency, the currency of the primary economic environment in which the Company and its subsidiaries operate.

*(d) Financial instruments*

On March 1, 2018, the Company adopted IFRS 9 in accordance with the transitional provisions of the standard. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. The change did not impact the carrying value of any of the Company's financial assets on the transition date.

The impact on the statement of financial position from the changes related to IFRS 9 has been summarized below. We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 as follows:

| **Financial Assets** | **IAS 39** | **IFRS 9** |
|---|---|---|
| Cash | Loans and receivables | Amortized cost |
| **Financial Liabilities** | | |
| Trade and other payables | Amortized cost | Amortized cost |
| Loan | Amortized cost | Amortized cost |

The classification of financial assets is based on how the entity manages its financial instruments and contractual cash flow characteristics of the financial asset. Transactions costs with respect to financial instruments classified as fair value through profit or loss are recognized in the statements of loss and comprehensive loss.

As at February 28, 2019 and 2018, the Company had no financial instruments recorded at fair value.

## 2. Summary of significant accounting policies (Continued)

*(e) Equipment*

Equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. Equipment is depreciated over the estimate useful lives of the assets on the declining balance basis using an annual rate of 20% for exploration and evaluation equipment.

*(f) Interest in exploration properties and exploration and evaluation expenditures*

All direct costs related to the acquisition of exploration property interests are capitalized into intangible assets on a property by property basis pending determination of the technical feasibility and commercial viability of the project. Exploration and evaluation expenditures are recorded at cost at the date of acquisition. All direct costs related to the acquisition, exploration and development of exploration properties are capitalized until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit-of-production method following commencement of production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss in the statement of loss.

*(g) Decommissioning, restoration and similar liabilities*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in estimates of decommissioning costs are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit and loss. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company had no material restoration, rehabilitation and environmental obligations as at February 28, 2019 and 2018.

*(h) Provisions*

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognized as interest expense.

**2. Summary of significant accounting policies (Continued)**

*(h) Provisions (Continued)*

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. At the end of each financial position reporting date provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. The Company had no material provisions as at February 28, 2019 and 2018.

*(i) Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date and recognized over the period during which the options vest. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value of share options granted to employees are recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

The fair value of share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest at each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. No expense is recognized for awards that do not ultimately vest.

Consideration received on the exercise of share options and warrants is recorded as share capital and the equity reserve is transferred to share capital. Upon expiry, the recorded value of share options and warrants is transferred to deficit.

*(i) Impairment of non-financial assets*

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss in the statement of loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## 2. Summary of significant accounting policies (Continued)

*(j) Impairment of non-financial assets (Continued)*

At the end of each reporting date, the Company assesses whether there is any indication that previously recognized impairment losses no longer exist. If such an indication exists, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss in the statement of loss.

Impairment indicators for exploration and evaluation assets include the ending of rights to explore, abandoning plans to explore an exploration property, a lack of discovery of economically recoverable reserves on completion of exploration and evaluation activities and on future production or proceeds of disposition.

*(k) Flow-through shares*

Flow-through shares are a unique Canadian tax incentive. The Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted market price of the common shares and the amount the investor pays for the flow-through shares. A flow-through share premium liability is recognized for the premium paid by the investors and is then reversed through the consolidated statement of loss in the period of renunciation.

*(l) Income taxes*

Income tax on the loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. Deferred income tax liabilities and assets are not recognized for taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recognized.

*(m) Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

**2. Summary of significant accounting policies (Continued)**

*(n) Segment reporting*

The Company operates in a single reportable operating segment, the acquisition, exploration and development of base and precious metals with an emphasis on zinc, platinum and nickel projects in Canada. As operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts.

*(o) Share capital*

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

*(p) Interest income*

Interest income from financial assets is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

*(q) New standards not yet adopted and interpretations issued but not yet effective*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after March 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

*(r) IFRS 16, Leases (effective on or after January 1, 2019)*

Under IFRS 16, the Company is required to review all of its contracts to determine if they contain leases or lease-type arrangements. Virtually all leases are required to be accounted for as finance leases rather than operating lease, where the required lease payments are disclosed as a commitment in the notes to the consolidated financial statements (Note 10). As a result, the Company will be required to recognize leased assets ("right-of-use" assets) and the related lease liability on the consolidated statement of financial position.

**3. Critical judgements and estimation uncertainties**

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

*Going concern*

Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgements.

## 3. Critical judgements and estimation uncertainties (Continued)

*Capitalization of exploration and evaluation expenditures*

Management has determined that exploration and evaluation expenditures incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 7 for details of capitalized exploration and evaluation expenditures.

*Impairment of exploration and evaluation assets*

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

*Share-based payments*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## 4. Capital management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of metallic resource assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which comprises issued capital, equity reserve and accumulated deficit, which totalled $476,149 at February 28, 2019 (2018 - $1,637,440).

The Company invests all capital not required for its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with select major Canadian financial institutions.

### 4. Capital management (Continued)

The Company is currently attempting to identify economic base and precious metal resources with an emphasis on zinc, platinum and nickel and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned acquisitions and exploration, as well as pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
(ii) minimizing discretionary disbursements; and
(iii) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended February 28, 2019 and 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of February 28, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

### 5. Financial risk factors

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and metals price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There were no changes in the risks, objectives, policies and procedures from the previous year.

#### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at February 28, 2019, the Company had a cash balance of $17,163 (2018 - $14,098) to settle current liabilities of $324,959 (2018 - $157,463). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has no other contractual obligations other than trade and other payables. As discussed in Note 1, the Company’s ability to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

## 5. Financial risk factors (Continued)

### Market risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt, other than the loan described in Note 10(d). The Company's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts of select major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and all expenditures are transacted in Canadian dollars. As a result, the Company’s exposure to the foreign currency risk is minimal.

(c) Commodity price risk

The Company is exposed to price risk with respect to base (copper, nickel and zinc) and platinum-group element (PGE) metal prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to price movements and volatilities. The Company closely monitors prices to determine the appropriate course of action to be taken by the Company.

(d) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with amounts receivable, which is comprised primarily of GST/HST receivable due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from its operations. Management believes that the credit risk concentration with respect to amounts receivable is low.

### Sensitivity analysis

As of February 28, 2019 and 2018, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature.

Based on management's knowledge and experience of the financial markets, the Company believes that there would be no material movements for the years ended February 28, 2019 and 2018 as a result of changes in interest and foreign exchange rates.

Commodity price risk could adversely affect the Company. In particular, the Company’s future profitability and viability of development depends upon the world market price of base (copper, nickel and zinc) and platinum-group element (PGE) metals. The prices of these metals have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of base and precious metals with an emphasis on base (copper, nickel and zinc) and platinum-group element (PGE) metal may be produced in the future, a profitable market will exist for them. As of February 28, 2019 and 2018, the Company was not a producer of any metals. As a result, base and precious metals with an emphasis on zinc, platinum and nickel price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

**(Expressed in Canadian Dollars)**

## 6. Equipment

| | | Total |
|---|---|---|
| Costs | | |
| February 28, 2019 and 2018 | $ | 36,617 |
| Accumulated Amortization | | |
| February 28, 2017 | | 24,097 |
| Additions | | 2,504 |
| February 28, 2018 | | 26,601 |
| Additions | | 2,003 |
| February 28, 2019 | $ | 28,604 |
| Net Book Value | | |
| February 28, 2018 | $ | 10,016 |
| February 28, 2019 | $ | 8,013 |

**(Expressed in Canadian Dollars)**

## 7. Interest in exploration properties and exploration and evaluation expenditures

| | Nipigon Reefs | Coral Zinc | Myst Metals | Peregrine Zinc | Peregrine Extension | Round Pond | Total |
|---|---|---|---|---|---|---|---|
| **Balance, February 28, 2017** | $ 1,433,051 | $ 401,226 | $ 37,779 | $ 7,000 | $ - | $ - | $1,879,056 |
| Additions during the year – | | | | | | | |
| Property acquisition costs | | | | | | | |
| Acquisition and staking costs | 9,000 | 12,000 | - | 16,000 | - | - | 37,000 |
| Property exploration costs | | | | | | | |
| Consultants | - | 21,750 | - | 12,400 | - | - | 34,150 |
| Equipment rental | 3,300 | - | - | - | - | - | 3,300 |
| Supervision | - | 9,250 | - | 12,312 | - | - | 21,562 |
| Supplies | - | 175 | - | 488 | - | - | 663 |
| Travel/meals | - | - | - | 11,826 | - | - | 11,826 |
| Assays | - | 1,096 | - | 1,729 | - | - | 2,825 |
| Tax credit | - | (13,283) | - | - | - | - | (13,283) |
| Total additions during the year | 3,300 | 18,988 | - | 38,755 | - | - | 61,043 |
| Impairment | (171,853) | - | (37,779) | - | - | - | (209,632) |
| **Balance, February 28, 2018** | $ 1,273,498 | $ 432,214 | $ - | $ 61,755 | $ - | $ - | $1,767,467 |
| Additions during the period – | | | | | | | |
| Property acquisition costs | | | | | | | |
| Acquisition – Shares issued | - | 287,200 | - | 5,250 | 8,250 | 24,107 | 324,807 |
| Staking costs | - | - | - | - | 205 | 881 | 1,086 |
| Property exploration costs | | | | | | | |
| Travel, meals & accommodation | - | - | - | - | - | 6,693 | 6,693 |
| Consulting fees | - | 2,408 | - | 5,250 | - | 7,650 | 15,308 |
| Assays | - | - | - | - | - | 398 | 398 |
| Miscellaneous | - | (947) | - | - | - | - | (947) |
| Total additions during the year | - | 288,661 | - | 10,500 | 8,455 | 39,729 | 347,345 |
| Mining tax credits | - | (72,380) | - | - | - | - | (72,380) |
| Impairment | (1,273,498) | - | - | - | - | - | (1,273,498) |
| **Balance, February 28, 2019** | $ - | $ 648,495 | $ - | $ 72,255 | $ 8,455 | $ 39,729 | $ 768,934 |

## 7. Interest in exploration properties and exploration and evaluation expenditures (Continued)

### Nipigon Reefs Property, Ontario

The Nipigon Reefs Property is an exploration project in the Thunder Bay Mining Division of Northwestern Ontario. The property comprises the claims previously referred to as the Springlet Lake Prospect which were staked by the Company, plus the Seagull North Prospect, which was optioned. The staked claims of the Springlet Lake Prospect, valued at $171,853, were impaired during the year ended February 28, 2018. The optioned claims are subject to work and payment commitments to the vendors (Canadian International Pharma Corp., Rainy Mountain Royalty Corp. and White Metal Resources) in order to earn the initial 55% interest in the mineral rights. During the year ended February 28, 2019, the Company determined that it was not able to meet its commitment to the option agreement and impaired the property.

### Coral Zinc Project, British Columbia

In January 2015, the Company entered into an agreement under the terms of which it has an option to earn up to an initial 60% interest in the Coral Zinc Project, a zinc project situated in northern British Columbia. The Coral tenures are in good standing with the BC Ministry of Energy & Mines until September 2024. Of the optionors, one is a director and officer of the Company (See Note 10(c)).

During the year ended February 28, 2017, the Company allowed certain claims to lapse and as compensation, issued 14,286 shares to the vendors, valued at $5,000. In August 2017, the Company issued 57,143 shares to acquire an initial 20% of the property.

The optioned claims are subject to work and payment commitments to the vendors in order to earn the initial 60% interest in the mineral rights. During the year ended February 28, 2019, the Company determined that it was not able to meet its commitment to earn the 60% interest in the claims and terminated the option agreement.

On June 28, 2018, the Company announced its intention to acquire a 45% ownership interest (“New Coral Interest”) in the 80% interest in the Coral Zinc Project tenures that it currently does not hold. The Company currently holds a direct 20% interest and this acquisition would represent an additional 36% beneficial ownership interest in the Coral Zinc Project. The Company issued 7,180,000 shares and 7,180,000 share purchase warrants, exercisable at $0.07 for 2 years on September 19, 2018 with a fair value of $287,200.

The Company has pledged a $10,000 GIC as security under a safekeeping agreement with the Ministry of Finance, British Columbia relating to the application for permits on the Coral Zinc Project. This amount is included in cash on the statement of financial position.

### Peregrine Zinc Project, British Columbia

The project comprises optioned claims supplemented by claims staked by the Company. In January 2017, the Company entered an option earn-in agreement on the Peregrine Project, in southeastern British Columbia. Minfocus can earn a 100% interest over a period of two years by making optional staged payments totaling $10,000 cash (paid) and issuing 142,857 shares (78,571 issued during the year ended February 28, 2018 and 50,000 issued during the year ended February 28, 2019) plus the grant of a 2% NSR. The Company has the option to repurchase up to 1% of the NSR for $1,000,000 after commercial production. The Peregrine tenures remain in good standing until September 2021.

**(Expressed in Canadian Dollars)**

## 7. Interest in exploration properties and exploration and evaluation expenditures (Continued)

### Peregrine Zinc Project Extension, British Columbia

On April 11, 2018, the Company entered into an agreement to acquire a 100% interest in a mineral claim contiguous to the Company's Peregrine Zinc Project. Total consideration for the claim is 28,571 shares (issued May 11, 2018 with a fair value of $3,000), plus a payment of $2,500 or 50,000 shares within 3 months of approval, at the discretion of the Company (50,000 shares issued during the year ended February 28, 2019 with a fair value of $5,250). A 2.0% Net Smelter Return ("NSR") royalty was granted to the seller, of which $500,000 can be paid to reduce the royalty to a 1.0% NSR interest.

### Round Pond, Newfoundland

In March 2018, the Company entered into an agreement to acquire a 100% interest in the Round Pond Zinc Project, comprising 30 claims (750 hectares), located in Western Newfoundland for total consideration of up to 750,000 shares (321,432 shares issued during the year ended February 28, 2019 with a fair value of $24,107) of the Company. A 2.0% Net Smelter Return ("NSR") royalty is to be granted upon completion of all payments to earn the 100% interest, of which $1.5 million can be paid to reduce the royalty to a 0.75% NSR interest.

## 8. Share capital

### Common Shares

*(a) Authorized*

Unlimited number of common shares without par value.

On August 1, 2018, the Company completed a consolidation of the outstanding common shares of the Company on the basis of seven (7) pre-consolidation shares for one (1) post-consolidation share. All shares referenced in these financial statements have been amended to reflect the post-consolidated amounts.

*(b) Issued*

| | Number of Shares | | Amount |
|---|---|---|---|
| Balance, February 28, 2017 | 8,477,245 | $ | 6,404,964 |
| Shares issued for interest in exploration properties (i) | 221,429 | | 32,000 |
| Private placement, net of costs (ii) | 442,857 | | 73,700 |
| Value of warrants issued (ii) | - | | (21,226) |
| Shares issued for debt (iii) | 1,320,985 | | 462,344 |
| Balance, February 28, 2018 | 10,462,516 | $ | 6,951,782 |
| Shares issued for interest in exploration properties (i, ii, iii,v,vi,vii) | 7,630,001 | | 324,807 |
| Shares issued for debt (iv) | 289,705 | | 30,704 |
| Balance, February 28, 2019 | 18,382,222 | $ | 7,307,293 |

## 8. Share capital (Continued)

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

(i) On April 4, 2018, the Company issued 50,000 shares with a fair value of $5,250 in connection with the Peregrine Project.
(ii) On April 13, 2018, the Company issued 107,143 shares with a fair value of $11,250 in connection with the Round Pond Zinc Project.
(iii) On May 11, 2018, the Company issued 28,571 shares with a fair value of $3,000 in connection with the Peregrine Extension Project.
(iv) On May 31, 2018, the Company settled outstanding debt of $101,397, $11,242 of which was due to related parties, in exchange for the issuance of 289,705 shares at a deemed value of $0.35 per share. The fair value of the shares on the settlement date was $0.105 per share.
(v) On June 26, 2018, the Company issued 50,000 shares with a fair value of $5,250 in connection with the Peregrine Project.
(vi) On August 17, 2018, the Company issued 214,287 shares with a fair value of $12,857 connection with the Round Pond Zinc Project.
(vii) On September 19, 2018, the Company issued 7,180,000 shares and 7,180,000 share purchase warrants (exercisable at $0.07 for 2 years) with a fair value of $287,200 in connection with the Coral Zinc Project

**During the year ended February 28, 2018:**

(i) The Company issued 221,429 shares for interests in exploration and evaluation properties during the year ended February 28, 2018 – 57,143 shares were issued in connection with the Coral option agreement, 85,715 in connection with the Nipigon Reefs option agreement and 78,571 in connection with the Peregrine option agreement. The value of shares issued was based on the quoted trading values of the Company's shares at the date of issue.

(ii) In June 2017, the Company raised $77,500 by way of a private placement through the issuance of 442,857 units at $0.175 per unit, comprising 228,571 flow-through units and 214,286 non flow-through units. Each flow-through and non flow-through unit comprised one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.70 per share for a period of two years from the date of closing of the private placement, subject to certain acceleration provisions. The Company paid a finder's fee of $3,800 and issued 4,571 finders' warrants in relation to the financing. The finder's warrants were issued at an exercise price of $0.175 per unit, which are exercisable for a period of two years, subject to certain acceleration provisions. The grant date fair value of the warrants was estimated at $21,226 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 105% based on the historical volatility of the Company's stock; risk-free interest rate of 1.109% and an expected average life of two years.

(iii) In May 2017, the Company completed agreements for the settlement of outstanding related party debt held by its directors and officers and companies controlled by directors and officers totaling $462,344 in exchange for the issuance of 1,320,985 common shares of the Company at a deemed value of $0.35 per share. The completion of the debt settlement transactions contemplated in these agreements was approved by the TSXV and the shares issued in June 2017 (Notes 10(b)).

**(Expressed in Canadian Dollars)**

## 8. Share capital (Continued)

### Stock Options

On June 30, 2010, the directors of the Company consented to adopt a share option plan (the "Plan"). The Plan provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the TSXV requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at any time. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. The approval of the Plan was initially approved by the Company's shareholders on December 29, 2011. The Plan is subject to annual approval by the TSXV and the Company's shareholders.

Stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at February 29, 2017 | 400,000 | $0.70 |
| Granted | 642,856 | 0.42 |
| Outstanding at February 28, 2018 | 1,042,856 | $0.35 |
| Cancelled | (28,571) | 0.70 |
| Expired | (242,857) | 0.70 |
| Granted | 42,857 | 0.35 |
| Outstanding at February 28, 2019 | 814,285 | $0.41 |

i. On March 18, 2018, 157,143 stock options priced at $0.70 expired unexercised.
ii. On March 27, 2018, 42,857 stock options priced at $0.35 and expiring in 5 years, were granted to a consultant.
iii. On April 9, 2018, 85,714 stock options priced at $0.70 expired unexercised.
iv. On May 6, 2018, 28,571 options issued on December 19, 2016, priced at $0.70, were cancelled due the resignation of the holder of the options.

The grant date fair value of the options granted during the year ended February 28, 2018 was estimated at $111,782 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; volatility of 253%-264% based on the historical volatility of the Company's stock; risk-free interest rate of 2.10%-2.13% and average life of 5 years.

The grant date fair value of the options granted during the year ended February 28, 2019 was estimated at $5,960 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; volatility of 254% based on the historical volatility of the Company's stock; risk-free interest rate of 2.11% and average life of 5 years.

**(Expressed in Canadian Dollars)**

**8. Share capital (Continued)**

**Stock Options (Continued)**

The following table summarizes information about stock options outstanding and exercisable at February 28, 2019:

| Number of Options | Exercise Price | Expiry Date | Number of Exercisable Options | Weighted Average Remaining Life (years) |
|---|---|---|---|---|
| 128,571 | $0.70 | December 19, 2021 | 128,571 | 2.81 |
| 514,286 | $0.35 | February 7, 2023 | 514,286 | 3.95 |
| 85,714 | $0.35 | February 14, 2023 | 85,714 | 3.96 |
| 42,857 | $0.35 | February 19, 2023 | 42,857 | 3.98 |
| 42,857 | $0.35 | March 27, 2023 | 42,857 | 4.08 |
| 814,285 | | | 814,285 | 3.78 |

**Warrants**

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at February 29, 2017 | 1,483,199 | $ 0.68 |
| Issued | 447,428 | $ 0.69 |
| Outstanding at February 28, 2018 | 1,930,627 | $ 0.68 |
| Issued | 7,180,000 | $ 0.07 |
| Expired | (1,483,199) | $ 0.68 |
| Outstanding at February 28, 2019 | 7,627,428 | $ 0.11 |

The following table summarizes information about warrants outstanding and exercisable at February 28, 2019:

| Number of Warrants | Exercise Price | Expiry Date | Number of Exercisable Warrants | Weighted Average Remaining Life (years) |
|---|---|---|---|---|
| 442,857 | $0.70 | June 30, 2019 | 442,857 | 0.33 |
| 4,571 | $0.175 | June 30, 2019 | 4,571 | 0.33 |
| 7,180,000 | $0.07 | September 19, 2020 | 7,180,000 | 1.56 |
| 7,627,428 | | | 7,627,428 | 1.49 |

During the year ended February 28, 2019, the follow warrants expired unexercised:

a. 485,714 warrants expiring June 28, 2018 with a price of $0.70
b. 4,571 warrants expiring June 28, 2018 with a prince of $0.175
c. 768,571 warrants expiring July 7, 2018 with a price of $0.70
d. 40,914 warrants expiring July 7, 2018 with a price of $0.175
e. 174,286 warrants expiring July 15, 2018 with a price of $0.70
f. 9,143 warrants expiring July 15, 2018 with a price of $0.175

**(Expressed in Canadian Dollars)**

## 9. Basic and diluted net loss per share

The calculation of basic and diluted loss per share for the year ended February 28, 2019 was based on the loss attributable to common shareholders of $1,522,762 (2018 - $366,454) and the weighted average number of common shares outstanding of 14,176,624 (2018 – 9,818,246). Outstanding warrants and stock options have been excluded from the calculation of diluted income per share for the periods presented as their effect would be anti-dilutive.

## 10. Related party balances and transactions

Related parties include the Board of Directors, Officers, and close family members of members of the Board of Directors and Officers and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties during the year ended February 28, 2019:

(a) During the year ended February 28, 2019, directors and officers charged the Company $127,457 (2018 - $15,875) in fees related to the provision of professional services, geological services, and management of the Company.

(b) Officers and directors of the Company and companies controlled by such individuals were owed $120,061 as at February 28, 2019 (2018 – $67,138) for services rendered and for expenses incurred in the ordinary course of business. This amount is unsecured, non-interest bearing with no fixed terms of repayment. In June 2017, the Company wrote off $20,783 and issued 920,839 common shares to settle $322,294 of amounts due to officers and directors. In May 2018, the Company settled $11,242 of amounts due to officers and directors by issuing 32,120 shares with a fair value of $3,373.

(c) In January 2015, the Company entered into an option agreement allowing it to acquire up to a 60% interest in the Coral Zinc Project as discussed in Note 7. Two of the optionors, who together have a 50% interest in the claims ownership, are (or were) directors and officers of the Company at that time. At this time, there is only one optionor who is a director and officer of the Company who holds a 5% interest in the claim ownership. In August 2017, the Company issued 28,571 shares to those directors and officers as part of the shares issued to acquire a 20% direct ownership in the mineral tenures comprising the project, of which the current director and officer received 2,857 shares.

(d) In January 2017, the Company entered into an option agreement allowing it to acquire a 100% interest in the Peregrine Zinc Project (see Note 7). The optionor, who has 100% interest in the claims, became a director of the Company in February 2018. During the year ended February 28, 2018, the Company issued 78,571 shares and paid $10,000 to the director as per the option agreement. During the year ended February 28, 2019, 50,000 shares were issued as per the option agreement. The director did not stand for re-election at the Company's Annual General Meeting on September 17, 2018.

(e) In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management of the Company was as follows.

| For the year ended February 28, 2019 and 2018 | 2019 | 2018 |
|---|---|---|
| Aggregate compensation - cash | $ 127,457 | $ 40,625 |
| Aggregate compensation – options | - | $ 111,782 |
| Total aggregate compensation | $ 127,457 | $ 152,407 |

## 11. Segmented information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. All of the operating costs for the years ended February 28, 2019 and 2018 were incurred in Canada and all of the assets as at February 28, 2019 and 2018 were located in Canada.

## 12. Commitments and contingencies

### Environmental contingencies

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### Flow through financing

In June 2017, the Company entered into flow-through share subscription agreements whereby it renounced to investors a total of $40,000 of qualifying Canadian exploration expenses, with an effective date of December 31, 2017.

The Company has indemnified the subscribers of flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

### Management and consulting contracts

The Company is party to certain management and consulting contracts. During the current and prior fiscal periods, certain parties under the management and consulting contracts agreed to reduced salaries and to not receive salaries until further significant financing is obtained, with future salaries and other amounts to be negotiated at that stage. Minimum commitments under management and consulting contracts are approximately $105,000 payable within one year. The contracts also require that additional payments of up to $360,000 be made, based on the contract amounts, upon the occurrence of certain events such as change of control. As a determinable triggering event has not taken place, the contingent payments have not been reflected in these financial statements. All management employment agreements were terminated as of end of the period August 31, 2018 with $108,761 payable outstanding to a certain officer following the termination.

## 13. Loans payable

In April 2018, the Company entered into a loan agreement with an individual for the principal sum of $33,800. Interest was charged on the loan based on an agreed upon bank rate and the repayment was to be no later than October 20, 2018. The loan was repaid with principal and interest as of September 7, 2018.

**(Expressed in Canadian Dollars)**

## 14. Income taxes

### (a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 27.0% (2018 - 26.0%) were as follows:

| | 2019 | 2018 |
|---|---|---|
| Net loss before taxes | $ (1,522,762) | $ (366,454) |
| Expected income tax recovery based on statutory rate | (411,000) | (95,000) |
| Adjustments to expected income tax benefit: | | |
| Share based compensation | 2,000 | 29,000 |
| Other | 344,000 | 54,000 |
| Flow through renunciation | - | - |
| Change in benefit of tax assets not recognized | 65,000 | 12,000 |
| Deferred income tax (recovery) | $ - | $ - |

### (b) Deductible temporary differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | February 28 2019 | February 28 2018 |
|---|---|---|
| Interest in exploration properties | $ 3,977,000 | $ 2,595,000 |
| Non-capital loss carry-forwards | 1,265,000 | 1,005,000 |
| Other temporary differences | 26,000 | 25,000 |
| | $ 5,248,000 | $ 3,625,000 |

Deferred tax assets have not been recognized in respect of these items because it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the tax benefits can be utilized.

**(Expressed in Canadian Dollars)**

## 14. Income taxes (Continued)

### (b) Deductible temporary differences (Continued)

The Company has approximately $4,746,000 of Canadian eligible exploration and development expenditures which can be carried forward indefinitely to be utilized against future taxable income. Also, the Company has approximately $1,265,000 (2018 - $1,005,000) of non-capital loss carry-forwards in Canada. These losses expire as follows:

| Year | Amount |
|---|---|
| 2029 | $ 2,000 |
| 2030 | 65,000 |
| 2031 | 155,000 |
| 2032 | 345,000 |
| 2033 | 89,000 |
| 2034 | 92,000 |
| 2035 | 59,000 |
| 2036 | 67,000 |
| 2037 | 88,000 |
| 2038 | 43,000 |
| 2039 | 260,000 |
| Total | $ 1,265,000 |