SPHINX

FINANCIAL STATEMENTS

Years Ended February 29, 2020 and February 28, 2019

Independent auditor's report

To the Shareholders of Sphinx Resources Ltd.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sphinx Resources Ltd. (the Company) as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's financial statements comprise:

- the statements of financial position as at February 29, 2020 and February 28, 2019;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1.1 in the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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. When we read the information, other than the financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Maxime Guilbault.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
June 17, 2020

[1] CPA auditor, CA, public accountancy permit No. A128042

SPHINX RESOURCES LTD.
Statements of Financial Position
As at February 29, 2020 and February 28, 2019
(In Canadian Dollars)

	Notes	February 29, 2020	February 28, 2019
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	**5**	44,682	750,121
Accounts receivable		2,849	35,697
Sales tax receivable		30,424	90,372
Tax credits receivable		48,974	327,934
Listed shares		77,648	260,100
Prepaid expenses		9,515	20,568
TOTAL ASSETS		**214,092**	**1,484,792**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		282,007	312,436
Flow-through share premium		-	219,147
Total liabilities		**282,007**	**531,583**
Equity			
Capital stock	**7**	61,507,812	61,398,730
Warrants		104,894	1,115,081
Contributed surplus		12,118,599	11,059,535
Deficit		(73,799,220)	(72,620,137)
Total equity		(67,915)	953,209
TOTAL LIABILITIES AND EQUITY		**214,092**	**1,484,792**
Going concern	**1**		
Subsequent events	**16**		

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

Approved by the Board of Directors

(S) Lawrence Cannon, Director

(S) Jeremie Ryan, Director

SPHINX RESOURCES LTD.

Statements of Loss and Comprehensive Loss

Years ended February 29, 2020 and February 28, 2019

(In Canadian Dollars)

	Notes	Year ended February 29, 2020	Year ended February 28, 2019
		$	$
Revenues			
Project management fees		7,010	20,883
Expenses			
Exploration and evaluation expenditures	**9**	(941,609)	(495,032)
General and administrative	**10**	(491,172)	(632,228)
Net gain on disposal of mineral projects	**19.8**	-	350 277
Operating loss		(1,425,771)	(756,100)
Other income (expenses)			
Interest income		8,080	1,843
Finance costs	**11**	-	(28,068)
Change in fair value – listed shares		(50,252)	(118,130)
Loss before income taxes		**(1,467,943)**	**(900,455)**
Current tax recovery		8,356	15,248
Flow-through share premium		280,504	128,307
Loss and comprehensive loss		**(1,179,083)**	**(756,900)**
Weighted average number of common shares outstanding - basic and diluted		125,512,130	102,418,698
Basic and diluted loss per common share		(0.01)	(0.01)

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

SPHINX RESOURCES LTD.

Statements of Changes in Equity

Years ended February 29, 2020 and February 28, 2019

(In Canadian Dollars)

	Notes	Common Shares Number	Capital Stock	Equity component of convertible debentures	Warrants	Contributed Surplus	Deficit	Total Equity
		(Note 9)	$	$	$	$	$	$
Balance at February 28, 2018		**91,236,036**	**60,095,152**	**38,542**	**1,900,048**	**10,115,840**	**(71,832,854)**	**316,728**
Shares issued for:								
Private placements	9	13,100,000	572,380	-	82,620	-	-	655,000
Private placements – Flow through	9	15,274,307	992,830	-	-	-	-	992,830
Flow-through premium		-	(375,310)	-	-	-	-	(375,310)
Convertible debenture settlement		3,000,000	185,011	(38,542)	-	-	-	146,469
Interest on convertible debentures	8	293,918	14,696	-	-	-	-	14,696
Issuance costs	8	-	(86,029)	-	(4,382)	-	-	(90,411)
Warrants expired		-	-	-	(893,588)	893,588	-	-
Impact of warrant extension		-	-	-	30,383	-	(30,383)	-
Share-based payment	9.3	-	-	-	-	50,107	-	50,107
Loss and comprehensive loss		-	-	-	-	-	(756,900)	(756,900)
Balance at February 28, 2019		**122,904,261**	**61,398,730**	**-**	**1,115,081**	**11,059,535**	**(72,620,137)**	**953,209**
Shares issued for:								
Private placements	4	1,430,000	58,201	-	13,299	-	-	71,500
Private placements – flow-through	4	1,850,000	120,250	-	-	-	-	120,250
Flow-through premium	4	-	(64,750)	-	-	-	-	(64,750)
Issuance costs	4	-	(4,619)	-	(392)	-	-	(5,011)
Warrants expired	5	-	-	-	(1,023,094)	1,023,094	-	-
Share-based payment		-	-	-	-	35,970	-	35,970
Loss and comprehensive loss		-	-	-	-	-	(1,179,083)	(1,179,083)
Balance at February 29, 2020		**126,184,261**	**61,507,812**	**-**	**104,894**	**12,118,599**	**(73,799,220)**	**(67,915)**

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

SPHINX RESOURCES LTD.

Statements of Cash Flows

Years ended February 29, 2020 and February 28, 2019

(In Canadian Dollars)

	Notes	Year ended February 29, 2020	Year ended February 28, 2019
		$	$
Operating activities			
Loss for the year		(1,179,083)	(756,900)
Adjustments for:			
Share-based payments		35,970	50,107
Shares issued for interest on convertible debt	**6**	-	14,696
Finance income		(8,080)	(1,843)
Finance costs		-	13,372
Listed shares received on disposal of mineral projects	**9.8**	-	(524,160)
Change in fair value – listed shares		50,252	118,130
Flow-through shares premium		(280,504)	(128,307)
		(1,381,445)	(1,214,905)
Changes in non-cash working capital items:			
Accounts receivable		32,848	32,968
Sales tax receivable		59,948	(73,826)
Tax credits receivable		278,960	99,653
Prepaid expenses		11,053	13,426
Trade and other payables		(30,429)	149,636
		352,380	221,857
Cash flow used in operating activities		**(1,029,065)**	**(993,048)**
Financing activities			
Common shares issued		71,500	655,000
Common shares issued – flow-through		120,250	992,830
Issue costs		(8,404)	(124,705)
Cash flow from financing activities		**183,346**	**1,523,125**
Investing activities			
Finance income received		8,080	1 843
Proceeds from disposal of listed shares		132,200	145,930
Cash flow from investing activities		**140,280**	**147,773**
Change in cash during the year		(705,439)	677,850
Cash, beginning of year		750,121	72,271
Cash and cash equivalents, end of year		**44,682**	**750,121**
Supplemental cash flow information			
Convertible debenture converted into shares		-	146,469
Interest received		8,080	1,843

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN

Sphinx Resources Ltd. (the "Corporation") was incorporated on June 28, 2005 and is governed by the *Canada Business Corporations Act*. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "SFX". The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. The Corporation's head office is situated at 1000, De La Gauchetière West, Suite 2100, Montreal, Quebec, H3B 4W5.

The financial statements of the Corporation for the fiscal year ended February 29, 2020 were reviewed, approved and authorized for issue by the Board of Directors on June 17, 2020.

The measurement of certain assets and liabilities is dependent on estimates and assumptions that are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The success of the Corporation's exploration and evaluation activities is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Corporation to discover economically recoverable reserves.

1.1 Basis of presentation and going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB'). They were prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, senior management of the Corporation ("Management") takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption would not be appropriate. These adjustments could be material.

The Corporation recorded a loss of $1,179,083 for the year ended February 29, 2020 ($756,900 for the year ended February 28, 2019), and has an accumulated deficit of $73,799,220 as at February 29, 2020 ($72,620,137 as at February 28, 2019). In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its other obligations, existing commitments for the exploration and evaluation programs and pay general and administrative costs. As at February 29, 2020, the Corporation has a working capital deficiency of $67,915 (working capital of $953,209 as at February 28, 2019). These conditions indicate the existence of material uncertainties that may cast a significant doubt regarding the Corporation's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. While Management has secured financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation, especially in the Covid-19 pandemic outbreak context. The extent and duration of impacts that the coronavirus may have on the Corporation's operations including suppliers, service providers, employees and on global financial markets is not known at this time. The Corporation is monitoring developments in order to be in a position to take appropriate actions as needed. If Management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements and this could have a significant impact on the financial position of the Corporation, its financial performance and its cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

2.2 Interest income

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

2.3 Functional and presentation currency

The financial statements are presented in Canadian dollars. The financial statements of the Corporation are presented in its functional currency, which is the currency of the primary economic environment in which the entity operates.

2.4 Exploration and evaluation expenditures

Exploration and evaluation activity on mineral interests involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include but are not limited to the following items:

- acquiring the rights to explore;
- researching and analyzing historical data;
- gathering exploration data through topographical, geological, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- preparing pre-feasibility and feasibility studies.

Exploration and evaluation expenditures are charged to operations as they are incurred, with the exception of expenditures capitalized to mine development costs, until technical feasibility and commercial viability has been reached, at which point exploration and evaluation expenditures are capitalized under mineral properties under development within property, plant, and equipment. When a mineral property moves into the development stage, mineral property acquisition costs are tested for impairment prior to the reclassification to mineral properties under development.

2.5 Share-based payments

Employees (including directors and senior executives) of the Corporation may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at fair value of the share-based payment. The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the statement of financial position.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 earnings; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises 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 earnings; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.7 Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Flow-through common shares are recognized in equity based on the Corporation's quoted stock price on the date of the issuance. The difference between the amounts recognized in common shares and the total amount the investor pays for the flow-through common shares is recognized as a liability, the flow-through share premium, which is subsequently reversed into earnings as eligible expenditures are incurred, if the Corporation has the intention to renounce the expenditures. The Corporation recognizes in the statement of comprehensive loss a flow-through share premium and a deferred tax liability for flow-through shares (when applicable), at the moment the eligible expenditures are incurred.

2.8 Tax credits receivable

Tax credits receivable relate to refundable tax credits and mining duties refund from the Québec provincial government. These tax credits are accrued based on a percentage of net eligible resource expenditures incurred in Québec and recognized as a reduction of eligible expenditures, in the case of the refundable tax credits, and as current tax recovery in the case of mining duties refund.

2.9 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. During the years ended February 28, 2020 and February 28, 2019, all the outstanding common share equivalents were anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

a) Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

Amortized cost
Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The Corporation's cash and cash equivalents and accounts receivable are classified within this category.

Fair value through profit and loss listed shares:
Listed shares at fair value through profit and loss are equity investments recognized initially at fair value and subsequently measured at fair value. Gains or losses arising from changes in fair value are recorded in the statement of loss and comprehensive loss. Dividend income on those investments are recognized in the statement of loss and comprehensive loss.

b) Financial liabilities

Effective for all periods presented

Financial liabilities measured at amortized cost
Trade and others payables are initially measured at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

c) Impairment of financial assets

Amortized cost:
The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases. The Company applies the simplified approach permitted by IFRS 9 for trade receivables (including amounts receivable from associates and other receivables), which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit, using the Black-Scholes pricing model to determine the fair value of warrants issued.

2.12 Convertible debentures

The liability, equity and other components of convertible notes (when applicable) are presented separately on the statement of financial position, starting from initial recognition. The Corporation determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statement of income as finance cost.

The carrying amount of other components (when applicable), such as warrants, is determined using the Black-Scholes option pricing model. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible notes, and is presented in Equity as an equity component of convertible notes. The equity component is not remeasured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other components (when applicable), on a pro-rata basis according to their carrying amounts.

2.13 Revenue recognition

Under IFRS 15, the project management fees earned by the Corporation for the services rendered as operator are recorded in the statement of loss when the exploration work managed for the partners are incurred.

3. CHANGES IN ACCOUNTING POLICIES

The most relevant standards, amendments and interpretations issued up to the date of the issuance of these financial statements are listed below.

3.1 IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17 *Leases*, and related interpretations. Save for short term leases and leases of low value assets, all leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the statement of loss and comprehensive loss.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

The new standard is effective for annual periods beginning on or after January 1, 2019. The Corporation does not have any lease affected by IFRS 16 as of February 28, 2019 and February 28, 2020 and has adopted the new standard for the year beginning March 1, 2019.

4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS

The preparation of these financial statements requires Management to make judgments and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, Management evaluates its judgments in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments. Actual outcomes may differ from these estimates under different assumptions and conditions. Critical judgments exercised in applying accounting policies with the most significant effect on the amounts recognized in the financial statements are as follows:

4.1 Recognition of deferred income tax assets and the measurement of income tax expense

Periodically, the Corporation evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Corporation records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires Management to make significant judgment.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain.

4.2 Tax credits receivable

The refundable credit for resources and credit on duties refundable for losses (the "tax credits") for the current period and prior periods are measured at the amount the Corporation expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. To determine whether the expenses it incurs are eligible, the Corporation must exercise considerable judgment and interpretation, which makes the recovery of tax credits uncertain. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. Should such a difference arise, an adjustment would have to be made to tax credits receivable and provisions may potentially need to be recognized for previous tax credits received by the Corporation. It may take considerable time for the tax administration to render its decisions on issues related to tax credits, and it can therefore take a long time to recover tax credits. Tax credits that the Corporation expects to recover within more than one year are classified as non-current assets. The amounts recognized in the financial statements are based on the Corporation's best estimates and according to its best judgment, as stated above. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Corporation's financial position and cash flows.

(In Canadian Dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS (CONT'D)

4.3 Going concern

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

5. CASH AND CASH EQUIVALENTS

As of February 29, 2020, the cash and cash equivalents includes an amount of $15,000 which is restricted as part of a corporate credit card agreement.

As of February 28, 2019, the balance on the December 2018 flow-through financing having to be dedicated to Canadian mining properties exploration activities included in cash represented $603,709. All the exploration work imposed by the December 2018 and May 2019 flow-through financings was completed before February 29, 2020.

6. CONVERTIBLE DEBENTURES

	Year ended	
	February 29, 2020	**February 28, 2019**
	$	$
Balance, beginning of year	-	133,097
Accretion expense	-	13,372
Accrued interest	-	14,696
Conversion into shares	-	(161,165)
Convertible debentures	**-**	**-**

On December 19, 2014, the Corporation closed a non-brokered private placement of convertible debentures totaling $375,000. The convertible debentures matured in 24 months and beared interest at a rate of 12% per year, payable in cash or shares every six months, at a price per share based on the 20-day volume weighted average price of the common shares ("VWAP") and subject to Exchange approval. The debentures were convertible into common shares at a price of $0.13 during the term of the debentures. At the maturity date, each debenture could be repaid in cash or in shares at a price per share based on the VWAP, subject to Exchange approval. As part of the private placement, 1,442,308 common share purchase warrants were issued. Each warrant entitles the holder to purchase one common share at $0.17 for 24 months.

In December 2017, the $150,000 convertible debenture issued to Société d'investissement dans la diversification de l'exploration s.e.c. ("SIDEX") was extended for 2 years. To estimate the fair value, the debt component was estimated first at $111,458 using an effective rate of 30% corresponding to a rate that the Corporation would have obtained for a similar financing without the conversion option. The $38,542 residual value was attributed to the equity component of the convertible debentures and is presented in equity. The $25,179 equity component initially recorded on the $150,000 convertible debenture issued to SIDEX in December 2014 was transferred to contributed surplus.

During the year ended February 28, 2019, the Corporation issued 318,465 common shares in lieu of a cash payment for the interest of $17,993.

6. CONVERTIBLE DEBENTURES (CONT'D)

On October 18, 2018, the Corporation reached an agreement with SIDEX and issued, at a fair value of $0.05 per common share, 3,000,000 common shares in settlement of the principal in the amount of $150,000 and 293,918 common shares as settlement of the accrued interest. The loss on settlement corresponds to the accelerated accretion of the remaining unamortized discount. The debenture has been terminated.

7. COMMON SHARES AND WARRANTS

7.1 Authorized

An unlimited number of common shares without par value.

7.2 Private placements

a) June 15 and July 13, 2018

On June 15, 2018, the Corporation closed a private placement totalling $250,000 by issuing 5,000,000 common shares at a price of $0.05 per common share. In addition on June 15 and July 13, 2018, the Corporation closed private placements totalling $230,850 by issuing 3,551,538 flow-through shares at a price of $0.065 per flow-through share. On June 15 and July 13, 2018, the Corporation's share closed at $0.04 and $0.045 respectively on the Exchange, therefore the residual values attributed to the flow-through share premium are $0.025 and $0.02 respectively, for a total value of $71,781. The Corporation incurred cash issuance costs of $35,617, of which $28,255 was allocated to capital stock and $7,362 to the flow-through premium. Management subscribed for an amount of $9,750 of the flow-through private placement.

b) December 11 and 27, 2018

On December 11, 2018, the Corporation closed a private placement totalling $405,000 by issuing 8,100,000 units at a price of $0.05 per unit. Each unit is comprised of one common share and one half of warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.07 until December 11, 2021. The value allocated to the warrants of $82,620 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 2.027%, an expected stock price volatility of 100% and an expected life of three years.

On December 11 and 27, 2018, the Corporation closed a private placement totalling $761,980 by issuing 11,722,769 flow-through shares at a price of $0.065 per flow-through. On December 11 and 27, 2018, the Corporation's share closed at $0.04 and $0.035 respectively on the Exchange, therefore the residual values attributed to the flow-through share premium are $0.025 and $0.03 respectively, for a total value of $303,529.

The Corporation incurred cash issuance costs of $89,088, of which $57,774 was allocated to capital stock, $4,382 to warrants and $26,932 to the flow-through premium. Total issuance costs include finder's fees of $53,339. Management and directors of the Corporation subscribed for an amount of $45,000 of the private placement in units.

(In Canadian Dollars)

7. COMMON SHARES AND WARRANTS (CONT'D)

c) May 2019

On May 14, 2019, the Corporation closed a private placement totalling $71,500 by issuing 1,430,000 units at a price of $0.05 per unit. Each unit is comprised of one common share and one half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.07 until May 14, 2022. The value allocated to the warrants of $13,299 ($0.0186 per warrant) was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.55%, an expected stock price volatility of 90.7% and an expected life of three years.

Also on May 14, 2019, the Corporation closed a private placement totalling $120,250 by issuing 1,850,000 flow-through shares at a price of $0.065 per share. On May 14, 2019, the Corporation's share closed at $0.03 on the Exchange, therefore the residual value attributed to the flow-through share premium is $0.035, for a total value of $64,750.

The Corporation incurred cash issuance costs of $8,404 of which $4,619 was allocated to capital stock, $392 to warrants and $3,393 to the flow-through premium. Total issuance costs include finder's fees of $2,568.

7.3 Warrants

The changes in warrants issued are as follows:

	Year ended			
	February 29, 2020		February 28, 2019	
	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices
		$		$
Balance, beginning of year	45,947,088	0.106	43,489,311	0.250
Issued	715,000	0.070	4,050,000	0.070
Expired [1)]	(40,653,088)	0.112	(1,592,223)	3.890
Balance, end of year	**6,009,000**	**0.060**	**45,947,088**	**0.106**

1) *The 8,389,615 warrants due to expire on September 5, 2018 and the 1,925,000 warrants due to expire September 12, 2018 were extended for one year such that the new expiry dates were September 5, 2019 and September 12, 2019, respectively. Total costs of the warrant extension amounted to $30,383 for an estimated fair value of $0.003 per warrant, recorded under warrants and the offsetting entry was recorded in the deficit. The fair value of the warrants extension was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follows for the two periods respectively: no expected dividend yield, 82% and 100% expected volatility, 2.00% and 1.53% risk-free interest rate and 1.02 and 0.02 years warrant expected life.*

Outstanding warrants entitle their holder to subscribe to an equivalent number of common shares as follows as at February 29, 2020:

Expiry date	Number of warrants	Exercise price
		$
November 1, 2020	1,244,000	0.08
December 11, 2021	4,050,000	0.07
May 14, 2022	715,000	0.07
	6,009,000	

(In Canadian Dollars)

7. COMMON SHARES AND WARRANTS (CONT'D)

7.4 Agent's compensation options:

The changes in agent's compensation options and underlying warrants issued are as follows:

	Year ended			
	February 29, 2020		February 28, 2019	
	Number of agent compensation options and underlying warrants	Weighted average exercise prices	Number of agent compensation options and underlying warrants	Weighted average exercise prices
		$		$
Balance, beginning of year	1,185,228	0.09	1,185,228	0.09
Expired	(1,185,228)	0.09	-	-
Balance, beginning and end of year	**-**	**-**	**1,185,228**	**0.09**

8. SHARE-BASED PAYMENTS

8.1 Stock option plan

The Corporation has a stock option plan (the "Stock Option Plan") whereby the Corporation may grant options to directors, officers, employees, independent contractors or consultants. The exercise price associated with each grant of options is determined by the Corporation and is subject to the policies of the Exchange. The maximum term of each option is 10 years. The options vest on a basis as determined by the directors or a committee thereof at the time of grant. The option price shall not be less than the price on the Exchange on the close of the previous trading day, provided that certain conditions are met as defined in the Stock Option Plan. The maximum number of common shares that can be issued upon exercise of stock options granted under the Stock Option Plan was increased from 4,700,000 to 9,900,000 common shares on August 31, 2018. Such number represents less than 10% of the total number of shares issued and outstanding and the amendment was approved by the Exchange.

On August 30, 2018, the Corporation granted 1,775,000 stock options to directors, officers, advisors and consultants at an exercise price of $0.10 with an expiry date of August 30, 2028, vesting 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary, except for the 300,000 stock options granted to an investor relation firm that will vest 25% every quarter. At the time of the grant, the exercise price was above the market price on the Exchange. Total share-based compensation costs amounts to $71,000 for an estimated fair value of $0.040 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 2.28% risk-free interest rate and 6 years options expected life.

On January 16, 2019, the Corporation granted 750,000 stock options to a director who is also the CEO and president appointed on December 19, 2018. The stock options have an exercise price of $0.10 with an expiry date of January 16, 2029, vesting 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. At the time of the grant, the exercise price was above the market price on the Exchange. Total share-based compensation costs amounts to $27,000 for an estimated fair value of $0.036 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.93% risk-free interest rate and 6 years options expected life.

(In Canadian Dollars)

8. SHARE-BASED PAYMENTS (CONT'D)

On May 17, 2019, the Corporation granted 175,000 stock options to a director at an exercise price of $0.10 with an expiry date of May 17, 2029, vesting 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. At the time of the grant, the exercise price was above the market price on the Exchange. Total stock-based compensation costs amounts to $4,725 for an estimated fair value of $0.027 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.60% risk-free interest rate and 6 years options expected life.

On August 29, 2019, the Corporation granted 350,000 stock options to directors at an exercise price of $0.10 with an expiry date of August 29, 2029, vesting 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. At the time of the grant, the exercise price was above the market price on the Exchange. Total stock-based compensation costs amounts to $8,050 for an estimated fair value of $0.023 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.16% risk-free interest rate and 6 years options expected life.

8.2 Stock options

The changes in stock options issued are as follows:

	Year ended			
	February 29, 2020		**February 28, 2019**	
	Number of options	**Weighted average exercise prices**	**Number of options**	**Weighted average exercise prices**
		$		$
Balance, beginning of year	5,375,000	0.107	2,850,000	0.110
Granted	525,000	0.100	2,525,000	0.100
Expired	(1,266,666)	0.111	-	-
Forfeited	(308,334)	0.100		
Balance, end of year	**4,325,000**	**0.105**	**5,375,000**	**0.107**
Balance, end of year exercisable	3,358,333	0.106	3,741,666	0.109

Outstanding stock options entitling their holder to subscribe to an equivalent number of common shares as follows as at February 29, 2020:

Expiry Date	**Number outstanding**	**Number exercisable**	**Exercise price**
			$
October 10, 2024	850,000	850,000	0.125
October 13, 2026	1,100,000	1,100,000	0.10
August 30, 2028	1,100,000	733,334	0.10
January 16, 2029	750,000	500,000	0.10
May 17, 2019	175,000	58,333	0.10
August 29, 2019	350,000	116,666	0.10
	4,325,000	**3,358,333**	

(In Canadian Dollars)

9. EXPLORATION AND EVALUATION EXPENDITURES

The Corporation's exploration and evaluation expenditures incurred are as follows:

	Acquisition and maintenance	Exploration and evaluation expenditures	Tax credits	Year ended February 29, 2020
	$	$	$	$
Calumet-Nord	100,368	559,533	(33,550)	626,351
Calumet-Sud	661	142,406	(1,395)	141,672
Grenville Zinc	-	6,155	-	6,155
Tessouat	-	2,923	-	2,923
Tessouat-Sud	2,973	50,663	(121)	53,515
Obwondiag	1,859	30,842	-	32,701
GPd	1,157	20,652	(95)	21,714
Soufflot	3,159	54,886	(4,872)	53,173
Patrie	2,580	625	-	3,205
Generation	-	200	-	200
Total exploration and evaluation expenditures	**112,757**	868,885	(40,033)	**941,609**

	Acquisition and maintenance	Exploration and evaluation expenditures	Tax credits	Year ended February 28, 2019
	$	$	$	$
Calumet-Sud	924	416,068	-	416,992
Tessouat	83	8,532		8,615
Tessouat-Sud	433	-	-	433
Obwondiag	1,139	-	-	1,139
GPd	4,484	4,184	-	8,668
Cheechoo-Éléonore Trend	41,524	6,526	-	48,050
Chemin Troïlus	4,388	4,862	-	9,250
Somanike	557	970	-	1,527
Generation	-	358	-	358
Total exploration and evaluation expenditures	**53,532**	**441,500**	**-**	**495,032**

9.1 Calumet-Nord

On June 14, 2019, the Corporation signed an option agreement for the Calumet-Nord project with Ressources Tranchemontagne ltée ("Tranchemontagne"), that provides the option may be exercised by the Corporation in exchange for the payment of an aggregate amount of $200,000 payable in two installments, $100,000 upon signing of the option agreement (completed in June 2019) and $100,000 as of June 20, 2020, and the granting of a 1% net smelter return ('NSR") royalty interest, which can be bought back by the Corporation at any time in exchange of a payment of $1,000,000 in cash. Tranchemontagne is a wholly-owned subsidiary of Gardin Inc. ("Gardin"), a corporation controlled by Michel Gauthier, a director of the Corporation.

9. EXPLORATION AND EVALUATION EXPENDITURES (CONT'D)

9.2 Calumet-Sud Project

On August 6, 2015 (and as amended on March 25, 2016), the Corporation signed a definitive agreement with Gardin for the acquisition of 100% of the Calumet-Sud project in the Pontiac MRC in southwestern Quebec. The Corporation acquired the project by issuing 1,384,615 common shares, valued at $41,538 based on the Exchange share price of $0.03 on the date of the share issuance. Subsequently, 1,923,077 and 2,846,231 common shares were issued in August 2016 and July 2017, valued at $76,923 and $128,077, based on the Exchange share price of $0.04 and $0.045 on the date of the share issuance. One of the conditions for the share issuances is that Gardin (and Gardin's affiliates and joint actors) would beneficially own no more that 19.9% of the common shares outstanding immediately after giving effect to such issuance. The Corporation completed all the exploration work under the definitive agreement with Gardin. A 2% NSR royalty was granted to Gardin. Gardin is a company controlled by a director of the Corporation.

On March 25, 2016, the Corporation signed an option and joint venture agreement with SOQUEM Inc. ("SOQUEM") to grant SOQUEM the option to acquire an undivided 50% interest in the Calumet-Sud project. SOQUEM was the operator during the option period.

By March 31, 2016, SOQUEM paid $93,000 to Gardin and $7,000 to the Corporation. On September 22, 2017, SOQUEM had completed its $450,000 exploration expenditure commitment and exercised its option to acquire a 50% interest in the Calumet-Sud project. The Corporation was the operator of the project from September 22, 2017 to September 25, 2019. Since September 25, 2019, SOQUEM is the operator.

9.3 Grenville Zinc

On October 15, 2018, the Corporation signed a definitive agreement to form a 50-50% joint venture with Osisko Metals Inc. ("Osisko") with the objective to explore for zinc in the Grenville geological province in southern Québec. On September 5, 2019, the Corporation sent a notice to Osisko to terminate the October 15, 2018 exploration and development joint venture agreement.

9.4 Tessouat project

On August 1, 2017 and as amended on May 23, 2019, the Corporation signed an agreement with Tranchemontagne and Gardin to acquire 100% of the Tessouat project, located in the Pontiac MRC in southwestern Quebec, for a consideration that consists of: payment of $26,000 (completed in September 2017), issuance of 100,000 common shares (valued at $5,500, completed in September 2017), completion of $70,000 of exploration work prior to September 25, 2021 ($18,186 completed as of February 29, 2020) and a 2% NSR royalty.

9.5 GPd project

On March 12, 2015, the Corporation signed a definitive agreement with Amixam Resources Inc. ("Amixam") for the acquisition of 100% of the Green Palladium project, located in the Pontiac MRC, adjacent to the Quebec Abitibi-Temiscamingue region. Under the terms of this agreement, the Corporation acquired the Green Palladium project by issuing 4,000,000 common shares, valued at $160,000 based on the Exchange share price of $0.04 on the date of the share issuance. Another 461,536 common shares were issued in February 2016, valued at $6,923 based on the Exchange price of $0.015 on the date of the share issuance. Amixam was granted with a 2% NSR royalty.

On November 2, 2015, Gardin announced it had acquired from Amixam on a private placement basis for an aggregate purchase price of $75,000 direct ownership of the 4,000,000 common shares of the Corporation and the rights to receive the additional 461,536 shares pursuant to the Green Palladium project acquisition agreement, representing a price of approximately $0.01681 per share of the Corporation. The 2% NSR was also transferred from Amixam to Gardin.

(In Canadian Dollars)

9. EXPLORATION AND EVALUATION EXPENDITURES (CONT'D)

As at November 30, 2018, the Corporation has satisfied the $750,000 exploration commitments as per the March 12, 2015 definitive agreement, as amended on January 19, 2018 and owns 100% of the GPd project.

9.6 Soufflot

On June 14, 2019, the Corporation entered into an agreement with Tranchemontagne to acquire a 100% undivided interest in the Soufflot and Patrie projects. Under the terms of this agreement, the Corporation acquired the projects for a consideration that consists of a cash payment of $1. The Soufflot project is located 5 km northwest of the municipality of Belleterre.

9.7 Patrie

The Patrie project is located 6 km southeast of the municipality of Saint-Édouard-de-Fabre (also see note 9.6).

9.8 Sale of three gold projects

The Corporation sold on June 27, 2018 its gold assets (namely the Chemin Troïlus project, Somanike project and its 50% interest in the Cheechoo Éléonore Trend project) to Canada Strategic Metals Inc. ("Canada Strategic"), pursuant to an April 25, 2018 asset purchase agreement. Immediately after, Canada Strategic merged with Matamec Explorations Inc. ("Matamec") by way of a court approved plan of arrangement (the "Arrangement") to form Québec Precious Metals Corporation ("QPM"). The Corporation received 1,200,000 common shares of QPM (on a post-consolidation basis) (valued at $524,160) in exchange of its gold assets. Contemporaneously, Goldcorp Inc. ("Goldcorp") and Caisse de dépôt et placement du Québec invested in QPM through a private placements for gross proceeds of $3,701,960 and $1,400,000, respectively. The Corporation incurred $173,883 transaction costs. The net gain on the sale of the three gold projects is $350,277.

The CEO of the Corporation at the time of the transaction became the CEO and a director of QPM, and the interim CEO of Matamec who is also a Director of the Corporation was a Director of QPM at the time of the transaction.

10. GENERAL AND ADMINISTRATION

	Year ended	
	February 29,2020	**February 28, 2019**
	$	$
Directors fees	59,500	50,000
Filing and transfer agent fees	29,279	40,901
Management fees	73,838	54,013
Office and miscellaneous	36,430	33,855
Professional fees	89,093	81,752
Promotion	39,617	139,524
Salaries and benefits	111,880	134,948
Share-based payments	35,970	50,107
Travel	15,565	47,128
General and administration	**491,172**	**632,228**

(In Canadian Dollars)

11. FINANCE COSTS

	Year ended	
	February 29, 2020	**February 28, 2019**
	$	$
Accretion of convertible debentures	-	13,372
Common shares issued in lieu of interest payment on convertible debentures	-	14,696
Finance costs	**-**	**28,068**

12. RELATED PARTY TRANSACTIONS

12.1 Compensation to key management

The Corporation's key management personnel are members of the Board of Directors, the chief executive officer and the chief financial officer:

	Year ended	
	February 29, 2020	**February 28, 2019**
	$	$
Short-term benefits		
Consulting fees recorded as exploration and evaluation expenditures	62,200	110,500
Salaries, including benefits	111,880	133,615
Directors fees	59,500	50,000
Management fees	73,838	54,013
Issuance costs (allocated between capital stock, warrants and flow-through share premium)	2,437	4,013
Long-term benefits		
Share-based payments	28,654	29,056
Total compensation	**338,509**	**381,197**

Certain employment agreements between the executive team and the Corporation contain termination and change of control provisions. If a termination or change of control had occurred as at February 29, 2020, the amounts payable for the executive team would have totaled $299,295 (February 28, 2019 - $274,620).

12.2 Other related party transactions

In the normal course of operations, in addition to the amounts listed above in the compensation to key management (note 12.1):

- A company controlled by an officer and director charged accounting fees of $23,020 ($18,594 in the year ended February 28, 2019) for her staff;
- Gardin, a company controlled by a director, charged exploration expenditures of $33,439 ($45,153 in the year ended February 28, 2019);
- Les Ressources Tectonic inc., a company controlled by a director, charged exploration expenditures of $1,700 (nil the year ended February 28, 2019).

As at February 29, 2020, the balance due to the related parties and key management amounted to $96,431 ($41,425 as at February 28, 2019). Amounts due to related parties are unsecured, non-interest bearing.

(In Canadian Dollars)

13. FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's Management manages financial risks. The Corporation does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Corporation's main financial risks exposure and its financial policies are described below.

13.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents is exposed to credit risk. Management believes the credit risk on cash and cash equivalents is small because the counterparties are chartered Canadian banks.

13.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not exposed to significant interest rate risk as cash and cash equivalents only comprised bank balances and $15,000 GIC as of February 29, 2020. The Corporation had no interest rate swaps or financial contracts in place as at or during the year ended February 29, 2020.

13.3 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation manages the liquidity risk by continuously monitoring actual and projected cash flows to ensure that it has sufficient capital to meet short term financial obligations after taking into account its exploration, development, and operating obligations and cash on hand. The Corporation anticipates seeking additional financing in order to fund general and administrative costs, and exploration and evaluation costs. The Corporation's options to enhance liquidity could include the issuance of new equity instruments or other instruments (refer to note 1.1 for going concern discussion).

The following table summarizes the carrying amounts and contractual maturities of financial liabilities as at February 29, 2020:

	Trade and other payables
	$
Within 1 year	286,340
1 to 5 years	-
Total	**286,340**

13.4 Fair value risk

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at February 29, 2020, the Corporation's financial instruments are cash and cash equivalents, accounts receivable, listed shares and trade and other payables. For all the financial instruments, the amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature.

For the Corporation's listed shares at fair value through profit and loss, a variation of plus or minus 20% of the quoted market prices as at February 29, 2020 would result in an estimated effect on the net loss of $15,530.

(In Canadian Dollars)

14. CAPITAL MANAGEMENT

The Corporation includes as capital its common shares, warrants and contributed surplus. Total capital as at February 29, 2020 was $73,731,305 (February 28, 2019 - $73,573,346). Refer to the statement of change in equity and note 8 for explanations regarding changes to capital and long term debt between February 29, 2020 and February 28, 2019.

The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern in order to pursue its exploration and evaluation activities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Corporation does not have cash flow from operations, to maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts and to continue operations, the Corporation does not pay out dividends.

15. INCOME TAXES

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Corporation, to the loss before income taxes due to the following:

	February 29, 2020	February 28, 2019
	$	$
Loss before income taxes	(1,467,943)	(900,455)
Canadian federal and provincial income tax rates	26.58%	26.68%
Income tax recovery based on Canadian federal and provincial income tax rates	(390,232)	(240,276)
Increase (decrease) attributable to:		
Changes in unrecognized deferred tax assets	180,640	93,852
Non-deductible expenditures	9,822	14,050
Properties acquired with no tax base	-	-
Flow-through share premium	(280,504)	(128,307)
Effect of flow-through share renunciation	191,849	115,163
Québec refundable mining tax	(8,356)	(15,248)
Change in provincial tax rate	1,227	1,559
Non-deductible portion of capital losses	6,693	15,652
Tax expense (recovery)	**(288,860)**	**(143,555)**

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

	February 29, 2020	February 28, 2019
	$	$
Non-capital losses carry forwards	21,868,460	21,350,575
Capital loss carry forwards	3,213,511	3,163,128
Canadian exploration and development expenses	24,026,065	24,238,061
Share issuance costs	134,524	198,273
Other assets	145,105	145,235
	49,387,665	**49,095,272**

In addition, the Corporation has non-recognized non-refundable tax credits carried forward in the amount of $3,305,650 ($3,305,650 in the year ended February 28, 2019).

The non-capital losses and tax credits expire on various dates from 2028 to 2039.

16. SUBSEQUENT EVENTS

16.1 Share for debt

On May 15, 2019, the Corporation reached an agreement with a service provider to issue, subject to prior approval of the Exchange, an aggregate of 1,149,740 common shares at a price per common share of $0.05 in settlement of an aggregate of $57,487 of outstanding accounts payable The shares will be issued once the shares of the Corporation trade at a price of at least $0.05 on the Exchange for 5 days.

16.2 $40,000 Loan

The Corporation applied for and received on April 30, 2020, the $40,000 Canada Emergency Business Account ("CEBA") which is an interest-free loan to cover operating costs which was offered in the context of the Covid-19 pandemic outbreak. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of $10,000. On December 31, 2022, the Corporation has the option to extend for 3 years the loan and it will bear a 5% interest rate. To estimate the fair value, the debt component was estimated first at $20,160, considering the forgiveness and interest free aspects. A 15% effective rate was used which corresponds to a rate that the Corporation would have obtained for a similar investment. The $19,840 residual value was attributed to a governmental subsidy that is presented in the statement of loss in other income.

16.3 Private placements

On June 11, 2020, the Corporation closed a private placement totalling $65,250 by issuing 2,175,000 units at a price of $0.03 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.05 until June 11, 2023.

Also on June 11, 2020, the Corporation closed a private placement totalling $5,000 by issuing 100,000 flow-through units at a price of $0.05 per flow-through unit. Each flow-through unit is comprised of one flow-through common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of $0.07 until June 11, 2023.