SPHINX

FINANCIAL STATEMENTS

Years Ended February 28, 2021 and February 29, 2020

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 28, 2021 and February 29, 2020, 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 28, 2021 and February 29, 2020;
- 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 significant accounting policies and other explanatory information.

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 to 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.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
June 16, 2021

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

SPHINX RESOURCES LTD.

Statements of Financial Position

As at February 28, 2021 and February 29, 2020

(In Canadian Dollars)

	Notes	February 28, 2021	February 29, 2020
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	**4**	104,568	44,682
Accounts receivable		10,000	2,849
Sales tax receivable		7,248	30,424
Tax credits receivable		105,793	48,974
Listed shares	**5**	20,500	77,648
Prepaid expenses		6,382	9,515
TOTAL ASSETS		**254,491**	**214,092**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		154,742	282,007
Deferred grant	**6**	11,104	-
Loans – current portion	**6**	7,177	-
Total current liabilities		173,023	282,007
Non-current Liabilities			
Loans	**6**	60,647	-
Total liabilities		**233,670**	**282,007**
Equity			
Capital stock	**7**	61,921,540	61,507,812
Warrants		306,114	104,894
Contributed surplus		12,144,338	12,118,599
Deficit		(74,351,171)	(73,799,220)
Total equity		20,821	(67,915)
TOTAL LIABILITIES AND EQUITY		**254,491**	**214,092**

Going concern	**1**
Subsequent events	**16**

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

Approved by the Board of Directors

(S) Jeremie Ryan, Director *(S) Pierre-André Viens,* Director

SPHINX RESOURCES LTD.

Statements of Loss and Comprehensive Loss

Years ended February 28, 2021 and February 29, 2020

(In Canadian Dollars)

		Year ended	
	Notes	**February 28, 2021**	**February 29, 2020**
		$	$
Revenues			
Project management fees		42	7,010
Expenses			
Exploration and evaluation expenditures	**9**	(356,492)	(941,609)
General and administrative	**10**	(324,523)	(491,172)
Gain on disposal of mineral projects	**9**	106,000	-
Operating loss		(574,973)	(1,425,771)
Other income (expenses)			
Interest income		168	8,080
Finance costs		(4 301)	-
Change in fair value – listed shares		3,684	(50,252)
Loss before income taxes		**(575,422)**	**(1,467,943)**
Current tax recovery		17,903	8,356
Flow-through share premium		5,568	280,504
Loss and comprehensive loss		**(551,951)**	**(1,179,083)**
Weighted average number of common shares outstanding - basic and diluted		141,803,302	125,512,130
Basic and diluted loss per common share		(0.00)	(0.01)

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

SPHINX RESOURCES LTD.

Statements of Changes in Equity

Years ended February 28, 2021 and February 29, 2020

(In Canadian Dollars)

	Notes	Common Shares Number	Capital Stock	Warrants	Contributed Surplus	Deficit	Total Equity
			$	$	$	$	$
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	7	1,430,000	58,201	13,299	-	-	71,500
Private placements – flow-through	7	1,850,000	120,250	-	-	-	120,250
Flow-through premium	7	-	(64,750)	-	-	-	(64,750)
Share Issuance costs	7	-	(4,619)	(392)	-	-	(5,011)
Warrants expired	8	-	-	(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)**
Shares issued for:							
Private placements	7	32,475,000	441,105	231,145	-	-	672,250
Private placements – flow-through	7	300,000	13,191	1,809	-	-	15,000
Flow-through premium	7	-	(6,000)	-	-	-	(6,000)
Share Issuance costs		-	(34,568)	(17,986)	-	-	(52,554)
Warrants expired		-	-	(13,748)	13,748	-	-
Share-based payment		-	-	-	11,991	-	11,991
Loss and comprehensive loss		-	-	-	-	(551,951)	(551,951)
Balance at February 28, 2021		**158,959,261**	**61,921,540**	**306,114**	**12,144,338**	**(74,351,171)**	**20,821**

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

SPHINX RESOURCES LTD.

Statements of Cash Flows

Years ended February 28, 2021 and February 29, 2020

(In Canadian Dollars)

	Notes	Year ended February 28, 2021	February 29, 2020
		$	$
Operating activities			
Loss for the year		(551,951)	(1,179,083)
Adjustments for:			
Share-based payments		11,991	35,970
Governmental grant	**6**	(34,623)	-
Finance income		(168)	(8,080)
Finance costs loans		4,301	-
Listed shares received on disposal of mineral projects	**9.5**	(21,000)	-
Change in fair value – listed shares		(3,684)	50,252
Flow-through shares premium		(5,568)	(280,504)
		(600,702)	(1,381,445)
Changes in non-cash working capital items:			
Accounts receivable		(7,151)	32,848
Sales tax receivable		23,176	59,948
Tax credits receivable		(56,819)	278,960
Prepaid expenses		3,133	11,053
Trade and other payables		(127,265)	(30,429)
		(164,926)	352,380
Cash flow used in operating activities		**(765,628)**	**(1,029,065)**
Financing activities			
Proceeds from loans		110,000	-
Common shares issued		672,250	71,500
Common shares issued – flow-through		15,000	120,250
Finance cost paid on loans		(750)	
Share issuance costs		(52,986)	(8,404)
Cash flow from financing activities		**743,514**	**183,346**
Investing activities			
Finance income received		168	8,080
Proceeds from disposal of listed shares		81,832	132,200
Cash flow from investing activities		**82,000**	**140,280**
Change in cash during the year		59,886	(705,439)
Cash and cash equivalents, beginning of year		44,682	750,121
Cash and cash equivalents, end of year		**104,568**	**44,682**
Supplemental cash flow information			
Interest received		168	8,080

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 28, 2021 were reviewed, approved and authorized for issue by the Board of Directors on June 16, 2021.

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 $551,951 for the year ended February 28, 2021 ($1,179,083 for the year ended February 29, 2020), and has an accumulated deficit of $74,351,171 as at February 28, 2021 ($73,799,220 as at February 29, 2020). 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 28, 2021, the Corporation has a working capital of $81,468 (working capital deficiency of $67,915 as at February 29, 2020). 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. Management estimates that current funds will not be sufficient to meet the Corporation's obligations and budgeted expenses through February 28, 2022. 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. At the beginning of the Covid-19 pandemic outbreak, the Corporation did not perform exploration programs and stopped corporate travelling. On the other hand, the Corporation completed successfully a $604,000 hard cash financing in September 2020 in the context of high gold price and was able to complete a drilling program in compliance with the guidelines issued by the Institut national de la santé publique du Québec. The Corporation is monitoring developments, including the progress of the vaccination campaigns, 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.

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.

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 29, 2020 and February 28, 2021, all the outstanding common share equivalents were anti-dilutive.

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 other payables and loans 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.

2.11 Governmental grants

The Corporation receives periodically grants from different governmental incentive programs. These grants are recognized initially when there is a reasonable assurance that they will be received and when the Corporation has intentions to comply with the conditions associated with the grants. The financial aid received for expenditures incurred is recognized against these expenditures on a systematic basis and in the same accounting period in which the expenditures are incurred.

2.12 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.

2.13 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.

2.14 New accounting standard adopted

Amendments to IAS 1 Presentation of Financial Statements
The IASB has made amendments to IAS 1 Presentation of Financial Statements which use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The Corporation adopted IAS 1 on March 1, 2020, which did not have a significant impact on the financial statements disclosures.

3. 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:

3.1 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.

(In Canadian Dollars)

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.

3.2 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.

3.3 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.

4. CASH AND CASH EQUIVALENTS

As of February 28, 2021, the cash and cash equivalents includes an amount of $15,000 which is restricted as part of a corporate credit card agreement.

5. LISTED SHARES

	Notes	February 28, 2021	February 29, 2020
		$	$
Balance, beginning of year		77,648	260,100
Shares received on disposal of mineral properties	8.5	21,000	-
Proceeds received on disposal		(81,832)	(132,200)
Change in fair value		3,684	(50,252)
Listed shares		**20,500**	**77,648**

(In Canadian Dollars)

6. LOANS

On April 30, 2020, the Corporation received a $40,000 loan from Canada Emergency Business Account ("CEBA"). This interest-free loan is used to finance operating costs which was offered by the Canadian Government through the Corporation's bank in the context of the Covid-19 pandemic outbreak. Repayment of the loan balance on or before December 31, 2022 will result in a loan forgiveness of $10,000. As at January 1st, 2023, the Corporation will have the option to extend the repayment of the capital for 3 years, and will benefit from an interest rate of 5%. The loan was initially recorded at a fair value of $20,160, considering the grant, the interest-free loan and the reimbursement on December 31, 2022. An effective rate of 15% was used, taking into account the rate that the Corporation would have obtained for a similar loan. The residual value of $19,840 was recorded as a deferred government grant in the statement of financial position and will be recognized in the statement of loss at the same time as the underlying expenses in general and administrative. As at February 28, 2021, an amortization of $19,840 has been recognized in the statement of loss.

On June 18, 2020, the Corporation received a $50,000 loan from The Regional Municipality of Pontiac County, financed by the Government of Quebec in the context of the Covid-19 pandemic outbreak. The loan bears interest at an annual rate of 3%. The loan was initially granted for a period of 36 months with a 3 month moratorium on principal and interest, followed by a 12 month moratorium on principal only. On August 15, 2024, the Corporation will have to repay the principal balance and accrued interest in full. The loan was initially recorded at a fair value of $36,598, considering the moratorium and the low interest rate. An effective rate of 15% was used, taking into account the rate that the Corporation would have obtained for a similar loan. The residual value of $13,402 was recognized in the statement of loss in general and administrative. On April 22, 2021, an additional moratorium was granted for the payments from April 2021 to August 2021, and the loan shall be repaid in full by January 15, 2025 instead of August 15, 2024.

On February 9, 2021, the Corporation received an additional $20,000 loan from CEBA. Repayment of the loan balance on or before December 31, 2022 will result in a loan forgiveness of $10,000. As at January 1st, 2023, the Corporation will have the option to extend the repayment of the capital for 3 years, and will benefit from an interest rate of 5%. The loan was initially recorded at a fair value of $7,515, considering the grant, the interest-free loan and the reimbursement on December 31, 2022. An effective rate of 15% was used, taking into account the rate that the Corporation would have obtained for a similar loan. The residual value of $12,485 was recorded as a deferred government grant in the statement of financial position and will be recognized in the statement of loss at the same time as the underlying expenses in general and administrative. As at February 28, 2021, an amortization of $1,381 has been recognized in the statement of loss.

	Year ended February 28, 2021
	$
Loans received	110,000
Value attributed to the governmental subsidy	(45,727)
Payments	(750)
Accretion expense as finance costs	4,301
Loans	**67,824**
Less: current portion	(7,177)
Loans – non current portion	**60,647**

7. COMMON SHARES AND WARRANTS

7.1 Authorized

An unlimited number of common shares without par value, voting and participating.

7.2 Private placements

a) 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.

b) June 11 and August 7, 2020

On June 11 and August 7, 2020, the Corporation closed a private placement totalling $68,250 by issuing 2,275,000 units at a price of $0.03 per unit. Each unit is comprised of one common share and one warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.05 until June 11, 2023 and August 7, 2023 respectively. The value allocated to the warrants of $20,953 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.3%, an expected stock price volatility of 100% and an expected life of three years.

On June 11 and August 7, 2020, the Corporation closed a private placement totalling $15,000 by issuing 300,000 flow-through units at a price of $0.05 per flow-through unit. Each unit is comprised of one common share and one-half 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 and August 7, 2023 respectively. On June 11, 2020 and August 7, 2020, the market value of the shares is estimated at $0.03 (value of the hard cash unit), therefore the residual values attributed to the flow-through share premium are $0.02, for a total value of $6,000. The value allocated to the warrants of $1,809 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.3%, an expected stock price volatility of 100% and an expected life of three years.

The Corporation incurred cash issuance costs of $6,146, of which $4,028 was allocated to capital stock, $1,686 to warrants and $432 to the flow-through premium. Total issuance costs include finder's fees of $1,050. Management and directors of the Corporation subscribed for an amount of $41,000 of the private placement.

c) September 14, 2020

On September 14, 2020, the Corporation closed a private placement totalling $604,000 by issuing 30,200,000 units at a price of $0.02 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 September 14, 2025.

The value allocated to the warrants of $210,192 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 0.3%, an expected stock price volatility of 100% and an expected life of five years.

(In Canadian Dollars)

The Corporation incurred cash issuance costs of $46,840, of which $30,540 was allocated to capital stock and $16,300 to warrants. Total issuance costs include finder's fees of $26,250. A Director and an Officer of the Corporation subscribed for an amount of $25,000 of the private placement.

7.3 Warrants

The changes in warrants issued are as follows:

	Year ended			
	February 28, 2021		February 29, 2020	
	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices
		$		$
Balance, beginning of year	6,009,000	0.072	45,947,088	0.106
Issued	32,625,000	0.050	715,000	0.070
Expired	(1,244,000)	0.080	(40,653,088)	0.112
Balance, end of year	**37,390,000**	**0.053**	**6,009,000**	**0.072**

Outstanding warrants entitle their holder to subscribe to an equivalent number of common shares as follows as at February 28, 2021:

Expiry date	Number of warrants	Exercise price
		$
December 11, 2021	4,050,000	0.07
May 14, 2022	715,000	0.07
June 11, 2023	2,175,000	0.05
June 11, 2023	50,000	0.07
August 7, 2023	100,000	0.05
August 7, 2023	100,000	0.07
September 14, 2025	30,200,000	0.05
	37,390,000	

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 is 9,900,000 common shares.

(In Canadian Dollars)

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.

On August 12, 2020, the Corporation granted 175,000 stock options to a director at an exercise price of $0.10 with an expiry date of August 12, 2030, 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 $2,625 for an estimated fair value of $0.015 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 0.42% 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 28, 2021		February 29, 2020	
	Number of options	Weighted average exercise prices	Number of options	Weighted average exercise prices
		$		$
Balance, beginning of year	4,325,000	0.105	5,375,000	0.107
Granted	175,000	0.100	525,000	0.100
Expired	-	-	(1,266,666)	0.111
Forfeited	-	-	(308,334)	0.100
Balance, end of year	**4,500,000**	**0.105**	**4,325,000**	**0.105**
Balance, end of year exercisable	4,208,334	0.105	3,358,333	0.106

(In Canadian Dollars)

Outstanding stock options entitling their holder to subscribe to an equivalent number of common shares as follows as at February 28, 2021:

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	1,100,000	0.10
January 16, 2029	750,000	750,000	0.10
May 17, 2019	175,000	116,667	0.10
August 29, 2019	350,000	233,334	0.10
August 12, 2030	175,000	58,333	0.10
	4,500,000	**4,208,334**	

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 28, 2021
	$	$	$	$
Calumet-Nord	101,421	235,238	(62,140)	274,519
Calumet-Sud	-	99,265	(24,197)	75,068
Tessouat-Sud	385	-	-	385
Obwondiag	774	-	-	774
GPd	-	1,125	(301)	824
Soufflot	3,859	1,452	(389)	4,922
Total exploration and evaluation expenditures	**106,439**	**337,080**	**(87,027)**	**356,492**

	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**

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 up to May 19, 2020.

By paying $100,000 cash to Ressources Tranchemontagne ltée before June 30, 2020, the Corporation completed the acquisition of 100% of the Calumet-Nord property, pursuant to the June 14, 2019 option agreement.

9.2 Calumet-Sud Project

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. 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 28, 2021) and a 2% NSR royalty.

9.5 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 Corporation also acquired claims through map staking. The Soufflot project is located 5 km northwest of the municipality of Belleterre.

On September 2, 2020, the Corporation signed an option agreement with a prospector, James Drolet Jolette, on 35 claims located on the eastern part of the Soufflot project. Mr. Drolet Jolette could have earned 100% of the eastern part of the Soufflot project in consideration of the following:

- Cash payments totalling $150,000, $75,000 on closing (completed) and $75,000 on or before March 1, 2021;
- 1% NSR royalty that can be bought back by the prospector for $3,000,000.

Mr. Drolet Jolette did not complete the $75,000 payment due on March 1, 2021 and therefore the option agreement was terminated.

(In Canadian Dollars)

On January 13, 2021, the Corporation sold to Vior Inc. ("Vior") a block of 18 claims located on the western part of the Soufflot project, for $10,000, the issuance of 100,000 shares of Vior (valued at $21,000) and a 1% NSR that Vior may repurchase for $1,000,000.

10. GENERAL AND ADMINISTRATION

	Year ended	
	February 28,2021	**February 29,2020**
	$	$
Salaries and benefits	111,739	111,880
Directors' fees	44,000	59,500
Filing and transfer agent fees	33,756	29,279
Management fees	52,763	73,838
Office and miscellaneous	25,804	36,430
Professional fees	62,520	89,093
Promotion	13,185	39,617
Governmental grant	(34,623)	-
Share-based payments	11,991	35,970
Travel	3,388	15,565
General and administration	**324,523**	**491,172**

11. RELATED PARTY TRANSACTIONS

11.1 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 28,2021	**February 29,2020**
	$	$
Short-term benefits		
Consulting fees recorded as exploration and evaluation expenditures	4,560	62,200
Salaries, including benefits	111,740	111,880
Directors fees	44,000	59,500
Management fees	39,300	73,838
Issuance costs	7,725	2,437
Long-term benefits		
Share-based payments	9,931	28,654
Total compensation	**217,256**	**338,509**

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 28, 2021, the amounts payable for the executive team would have totaled $200,000 (February 29, 2020 - $299,295).

11.2 Other related party transactions

In the normal course of operations, in addition to the amounts listed above in the compensation to key management (note 11.1):

- A company controlled by an officer up to September 29, 2020 charged accounting fees of $11,365 ($23,020 in the year ended February 29, 2020) for her staff;
- Gardin, a company controlled by a director up to May 19, 2020, charged exploration expenditures of nil ($33,439 in the year ended February 29, 2020);
- Les Ressources Tectonic inc., a company controlled by a director up to September 29, 2020, charged exploration expenditures of $nil ($1,700 in the year ended February 29, 2020).

As at February 28, 2021, the balance due to the related parties and key management amounted to $9,721 ($96,431 as at February 29, 2020). Amounts due to related parties are unsecured, non-interest bearing.

12. 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.

12.1 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.

12.2 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 28, 2021. The Corporation had no interest rate swaps or financial contracts in place as at or during the year ended February 28, 2021.

12.3 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).

(In Canadian Dollars)

The following table summarizes the carrying amounts and contractual maturities of financial liabilities as at February 28, 2021:

	Trade and other payables	Loans	Total
		$	$
Within 1 year	154,742	7,177	161,919
1 to 5 years	-	60,647	60,647
Total	**154,742**	**67,824**	**222,566**

12.4 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 28, 2021, 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 28, 2021 would result in an estimated effect on the net loss of $4,100.

13. CAPITAL MANAGEMENT

The Corporation includes as capital its common shares, warrants and contributed surplus. Total capital as at February 28, 2021 was $74,371,992 (February 29, 2020 - $73,731,305). Refer to the statement of change in equity and note 7 for explanations regarding changes to capital between February 28, 2021 and February 29, 2020.

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.

(In Canadian Dollars)

14. 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 28, 2021	February 29, 2020
	$	$
Loss before income taxes	(575,422)	(1,467,943)
Canadian federal and provincial income tax rates	26.50%	26.58%
Income tax recovery based on Canadian federal and provincial income tax rates	(152,487)	(390,232)
Increase (decrease) attributable to:		
Changes in unrecognized deferred tax assets	145,875	180,640
Non-deductible expenditures	3,225	9,822
Flow-through share premium	(5,568)	(280,504)
Effect of flow-through share renunciation	3,975	191,849
Québec refundable mining tax	(17,903)	(8,356)
Change in provincial tax rate	(117)	1,226
Non-deductible portion of capital losses (gains)	(471)	6,693
Tax expense (recovery)	**(23,471)**	**(288,860)**

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

	February 28, 2021	February 29, 2020
	$	$
Non-capital losses carry forwards	22,365,762	21,868,460
Capital loss carry forwards	3,264,684	3,213,511
Canadian exploration and development expenses	24,193,807	24,026,065
Share issuance costs	104,758	134,524
Other assets	90,247	145,105
	50,019,258	**49,387,665**

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 29, 2020).

The non-capital losses and tax credits expire on various dates from 2029 to 2040.

15. COMMITMENTS

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. SUBSEQUENT EVENTS

16.1 New Calumet Mine project

On March 8, 2021, the Corporation signed an agreement with Golden Calumet Exploration Ltd and Geotest Corporation, to acquire of 100% of 14 claims in Pontiac District, for consideration consisting of 7,500,000 common shares and a 1% NSR royalty, subject to a buyback option for $1,000,000. The buyback option will be indexed for cost of living starting January 1, 2022.

16.2 Grant of stock options

On March 15, 2021, the Corporation granted 275,000 stock options to a director and a member of the advisory committee at an exercise price of $0.10 with an expiry date of March 15, 2031, 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 $3,300 for an estimated fair value of $0.012 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.14% risk-free interest rate and 6 years options expected life.