



**MegumaGold Corp.**

Consolidated Financial Statements

For the Year Ended March 31, 2020 and 2019



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MegumaGold Corp.

### Opinion

We have audited the consolidated financial statements of MegumaGold Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

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

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 International Financial Reporting Standards, 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 Otto Ehinger.

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**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

July 17, 2020



An independent firm  
associated with Moore  
Global Network Limited

**MEGUMAGOLD CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**EXPRESSED IN CANADIAN DOLLARS**

AS AT	March 31, 2020 \$	March 31, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,023,103	4,293,704
Other receivables	49,882	180,683
Investments ( <i>Note 14</i> )	289,035	-
Prepaid expenses	7,521	65,786
	1,369,541	4,540,173
<b>Non-current assets</b>		
Exploration and evaluation assets ( <i>notes 4 and 5</i> )	14,473,419	12,125,374
<b>Total assets</b>	15,842,960	16,665,547
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities ( <i>notes 4, 6 and 10</i> )	613,730	1,034,923
Flow through liability ( <i>note 11</i> )	260,705	743,601
<b>Total liabilities</b>	874,435	1,778,524
<b>Shareholders' Equity</b>		
Share capital ( <i>note 7</i> )	34,855,391	33,974,141
Share-based payment reserve ( <i>note 7</i> )	3,593,725	3,088,214
Deficit	(23,480,591)	(22,175,332)
	14,968,525	14,887,023
<b>Total liabilities and shareholders' equity</b>	15,842,960	16,665,547

*-See Accompanying Notes-*

Nature of operations and going concern (*note 1*)  
Subsequent events (*note 15*)

Approved on behalf of the Board on July 17, 2020:

“Stephen Stine” \_\_\_\_\_

Director

“Fred Tejada” \_\_\_\_\_

Director

**MEGUMAGOLD CORP**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**EXPRESSED IN CANADIAN DOLLARS**

<b>For the year ended</b>	<b>March 31, 2020 \$</b>	<b>March 31, 2019 \$</b>
<b>EXPENSES</b>		
Professional fees	219,866	21,135
General and administrative ( <i>notes 8 and 10</i> )	164,875	224,070
Regulatory, transfer agent and filing fees	22,817	32,726
Corporate development	605,538	-
Management, consulting and director's fees ( <i>note 10</i> )	371,815	382,992
Stock based compensation ( <i>notes 7 and 10</i> )	505,511	-
Foreign exchange loss (gain)	(3,772)	4,310
Interest income	(19,089)	(35,643)
	<b>1,867,561</b>	<b>629,590</b>
<b>OTHER ITEMS</b>		
Impairment ( <i>note 4</i> )	110,990	171,399
Gain on disposal of subsidiary ( <i>note 4</i> )	-	(111,055)
Flow-through liability reversal ( <i>note 11</i> )	(482,896)	(375,139)
Unrealized loss on marketable securities ( <i>note 14</i> )	25,878	-
Realized gain on sale of marketable securities ( <i>note 14</i> )	(216,274)	-
	<b>(1,305,259)</b>	<b>(314,795)</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(1,305,259)</b>	<b>(314,795)</b>
Basic and diluted loss per share	<b>(0.01)</b>	<b>(0.003)</b>
Weighted average number of shares outstanding	<b>96,875,845</b>	<b>89,952,811</b>

*-See Accompanying Notes-*

**MEGUMAGOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**EXPRESSED IN CANADIAN DOLLARS**

	Share capital #	Share capital \$	Subscriptions received in advance \$	Contributed Surplus \$	Deficit \$	Total equity \$
<b>Balance – March 31, 2018</b>	<b>39,617,605</b>	<b>21,235,717</b>	<b>50,000</b>	<b>3,077,680</b>	<b>(21,860,537)</b>	<b>2,502,860</b>
Private placement ( <i>note 7</i> )	21,967,200	5,581,910	(50,000)	-	-	5,531,910
Flow through liability ( <i>notes 7 and 11</i> )	-	(1,118,740)	-	-	-	(1,118,740)
Shares issued for asset acquisition ( <i>notes 4 and 7</i> )	34,240,000	8,560,000	-	-	-	8,560,000
Share issuance costs ( <i>note 7</i> )	705,835	(284,746)	-	10,534	-	(274,212)
Net loss and comprehensive loss for the year	-	-	-	-	(314,795)	(314,795)
<b>Balance – March 31, 2019</b>	<b>96,530,640</b>	<b>33,974,141</b>	<b>-</b>	<b>3,088,214</b>	<b>(22,175,332)</b>	<b>14,887,023</b>
Shares issued for option agreement ( <i>notes 4 and 7</i> )	250,000	41,250	-	-	-	41,250
Shares issued for deposit ( <i>notes 4 and 7</i> )	6,000,000	840,000	-	-	-	840,000
Share based compensation ( <i>note 7</i> )	-	-	-	505,511	-	505,511
Net loss and comprehensive loss for the year	-	-	-	-	(1,305,259)	(1,305,259)
<b>Balance – March 31, 2020</b>	<b>102,780,640</b>	<b>34,855,391</b>	<b>-</b>	<b>3,593,725</b>	<b>(23,480,591)</b>	<b>14,968,525</b>

*-See Accompanying Notes-*

**MEGUMAGOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**EXPRESSED IN CANADIAN DOLLARS**

	March 31, 2020 \$	March 31, 2019 \$
<b>For the year ended</b>		
<b>Cash flows used in for operating activities</b>		
Net loss and comprehensive loss for the year	(1,305,259)	(314,795)
Adjustments for items not involving cash:		
Realized gain on sale of marketable securities	(216,274)	-
Unrealized loss on marketable securities	25,878	-
Gain on disposal of subsidiary	-	(111,055)
Stock based compensation	505,511	-
Impairment of exploration and evaluation assets	110,990	171,398
Flow-through liability reversal	(482,896)	(375,139)
Foreign exchange	-	277
Changes in non-cash working capital items:		
Change in other receivables	130,801	(164,290)
Change in prepaid expenses	58,265	163,150
Change in accounts payable and accrued liabilities	(966,708)	403,090
Net cash used in operating activities	(2,139,692)	(227,364)
<b>Investing activities</b>		
Proceeds on sale of marketable securities	764,271	-
Purchase of marketable securities	(762,910)	-
Exploration and evaluation assets	(1,132,270)	(3,481,472)
Proceeds from disposal of subsidiary	-	13,600
Net cash used in investing activities	(1,130,909)	(3,467,872)
<b>Financing activities</b>		
Proceeds from issuance of common shares	-	5,581,910
Subscriptions received in advance	-	-
Share issuance costs	-	(274,126)
Net cash provided by financing activities	-	5,307,784
Change in cash and cash equivalents	(3,270,601)	1,612,548
Cash and cash equivalents, beginning	4,293,704	2,681,156
Cash and cash equivalents, ending	1,023,103	4,293,704
Cash	723,103	1,658,011
Short-term deposits bearing interest at 1.80% per annum (2019: 1.5% per annum)	300,000	2,635,693
	1,023,103	4,293,704

*-See Accompanying Notes-*

**MEGUMAGOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**  
**EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED**

**1. Nature of operations and going concern**

MegumaGold Corp. (“the Company” or “MegumaGold”) was incorporated pursuant to the Business Corporation Act (British Columbia). The Company is a listed issuer on the Canadian Securities Exchange (“CSE”) under the symbol "NSAU", the Frankfurt Stock Exchange under the symbol FWB: 2CM and on the United States OTC stock market’s OTC Pink, under the symbol NSAU.F. The Company’s registered office is at 789 West Pender Street, Suite 810, Vancouver, British Columbia, V6C 1H2, Canada and its head office is located at Suite 2630-1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada.

The Company is engaged in the business of acquiring, exploring and developing natural resource properties, with a focus on precious metal properties located in Canada.

These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Several material uncertainties lend significant doubt on the validity of this assumption. The Company has incurred losses since inception and has no current source of revenue. At March 31, 2020, the Company had a deficit of \$23,480,591 (2019 - \$22,175,332) and working capital of \$495,106 (2019 - \$2,761,649). Continuing operations, as intended, are dependent on management’s ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured given the volatile and uncertain financial markets. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. These factors indicate that the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

**2. Basis of presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies presented in Note 3 were consistently applied to all years presented.

The Board of Directors approved these consolidated financial statements on July 17, 2019.

**Basis of measurement**

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these consolidated financial statements have been prepared on the historical-cost basis, except for the revaluation of certain financial assets and financial liabilities at fair value in accordance with IFRS 9.

**Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

**MEGUMAGOLD CORP.**  
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**2. Basis of presentation (Continued)**

**Significant Subsidiaries (Consolidated) – Ownership**

	<b>Country of Incorporation</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
1156219 B.C. Ltd.	Canada	100%	100%
1156222 B.C. Ltd.	Canada	100%	100%
1161097 B.C. Ltd.	Canada	100%	100%

**Functional and presentation currency**

Items included in the consolidated financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates (the “Functional Currency”). The consolidated financial statements are presented in Canadian dollars, which is the Functional Currency of the Company and all its subsidiaries.

**3. Significant Accounting Policies**

**3.1 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and short-term investments readily convertible into a known amount of cash and can be redeemed at any time without penalties.

**3.2 Exploration and evaluation assets**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine that technical feasibility and commercial viability do not exist, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant, and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest

**3.3 Impairment of non-financial assets**

The Company’s non-financial assets, such as exploration and evaluation assets, are reviewed for impairment whenever facts and circumstances indicate that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGUs”). The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized in the consolidated statement of loss and comprehensive loss for the amount by which the asset’s carrying amount exceeds its recoverable amount.

**MEGUMAGOLD CORP.**  
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**3. Significant accounting policies (continued)**

**3.3 Impairment of non-financial assets (continued)**

Non-financial assets that have been impaired in prior years are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

**3.4 Financial instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	Classification under IFRS 9
Cash and cash equivalents	FVTPL
Investments	FVTPL
Warrants to purchase shares in Osprey Gold Development Ltd.	FVTPL
Accounts payable	Amortized cost

(ii) Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the year in which they arise.

*Debt investments at FVTOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statements of loss and comprehensive loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**MEGUMAGOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**  
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**3 Significant accounting policies (continued)**

**3.4 Financial instruments (continued)**

(ii) Measurement (continued)

*Equity investments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

**3.5 Provisions**

Provisions for environmental restoration and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation as per management's best estimate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

At each reporting date, the liability is increased to reflect the interest element or accretion reflected in its initial measurement, and will also be adjusted for changes in the estimate of the amount, timing, change in discount rate and cost of the work to be carried out.

**3.6 Warrants**

The Company makes certain estimates and assumptions when calculating the estimated fair value of warrants issued. The significant assumptions used include the estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the value of the warrants issued.

**MEGUMAGOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3 Significant accounting policies (continued)**

**3.7 Stock-based compensation**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**3.8 IFRS 16 – Leases**

The Company adopted IFRS 16 - Leases on April 1, 2019 which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company has no leases and therefore the adoption of IFRS 16 did not have any impact on the consolidated financial statements.

**3.9 Income taxes**

Tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, tax is also recognized in other comprehensive loss or directly in equity, respectively.

(i) Current income tax

Current income tax assets and liabilities for the current and prior years 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 these amounts are those that are enacted or substantively enacted at the reporting date, in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and current tax liabilities are offset if, and only if, the taxable entity has a legally enforceable right to set off the recognized amounts, the income taxes relate to the same taxable entity and the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are recognized for all temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries 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.

**MEGUMAGOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED**

**3 Significant accounting policies (continued)**

**3.9 Income taxes (continued)**

(ii) Deferred tax(continued)

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and deferred 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 the same taxable entity, and the Company intends to settle its current tax assets and liabilities on a net basis.

(iii) Flow-through shares:

The Company has adopted a policy whereby proceeds from flow-through issuance are allocated between the offering of shares and the sale of tax benefits based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference and is extinguished by crediting settlement of flow-through share premium on renunciation to the tax authorities when the Company has made the required expenditures.

**3.10 Loss per share**

Basic loss per share is calculated by dividing the loss for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. For all years presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

**3.11 Foreign currency translation of transactions**

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the Canadian dollar are translated using exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Revenue and expense items are translated at the exchange rates in effect at the date of the underlying transaction, except for amortization related to non-monetary assets, which are translated at historical exchange rates. Exchange differences are recognized in the consolidated statements of loss and comprehensive loss in the year in which they arise.

**3.12 Segmented Information**

The Company's business consists of a single reportable segment being mineral exploration and development. As the operations comprise a single reporting segment, amounts disclosed in the consolidated statements of loss and comprehensive loss for the year also represent segment amounts. At March 31, 2020 and 2019, the Company's mineral properties are located in Canada.

**3.13 Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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**3 Significant accounting policies (continued)**

**3.14 Critical judgments and sources of estimation uncertainty**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical Judgments*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

*Estimation Uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (ii) The assessment of any impairment of evaluation and exploration assets, and property and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets.
- (iii) The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of the subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and share-based payment reserve.
- (iv) The Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

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**4. Exploration and evaluation assets**

	<b>Meguma Project</b>	<b>Cariboo Project</b>	<b>Palladium Project</b>	<b>Tay-LP Gold Project</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance, March 31, 2018</b>	-	-	-	<b>55,300</b>	<b>55,300</b>
Acquisition costs	4,533,335	4,400,000	-	-	8,933,335
Exploration expenditures (note 5)	3,192,039	-	-	116,099	3,308,138
Impairment	-	-	-	(171,399)	(171,399)
<b>Balance, March 31, 2019</b>	<b>7,725,374</b>	<b>4,400,000</b>	-	-	<b>12,125,374</b>
Acquisition costs	155,054	-	965,000	-	1,120,054
Exploration expenditures (note 5)	1,338,981	-	-	-	1,338,981
Impairment	(110,990)	-	-	-	(110,990)
<b>Balance, March 31, 2020</b>	<b>9,108,419</b>	<b>4,400,000</b>	<b>965,000</b>	-	<b>14,473,419</b>

**Meguma Project**

On May 30, 2018, the Company closed the acquisition of 1156222 B.C. Ltd. (“115”) by way of a three-corner amalgamation with 1156219 B.C. Ltd, a wholly owned subsidiary of the Company. Under the terms of the definitive acquisition agreement (the “115 Agreement”), the Company acquired 100% of 115 and assumed all of its assets and underlying agreements, including mineral claims in Nova Scotia. The Company issued 15.5 million shares at a fair value of \$3,875,000 to the shareholders of 115 to satisfy the terms of the 115 Agreement (Note 7). The Company also issued 1.24 million shares in finder’s shares at a fair value of \$310,000. The Company paid \$5,766 in legal fees in connection with the acquisition and agreed to pay \$200,000 as a finder’s fee, which have been capitalized as acquisition costs.

During the years ended March 31, 2020 and 2019, the Company acquired additional mineral licenses and options for the Meguma project:

**Acquisition of Additional Mineral Licenses:**

On July 12, 2018, the Company purchased 100% interest in mineral licenses by way of a purchase and sale agreement (“Goldboro Agreement”). Under the terms of the Goldboro Agreement, the Company acquired mineral licenses in Nova Scotia. As consideration, the Company paid \$890 in cash. The mineral licenses in the Goldboro Agreement are subject to a two percent royalty on gross revenue.

On August 10, 2018, the Company entered into an asset purchase and sale agreement. Under the terms of the Meguma District Asset Purchase and Sale Agreement (“Meguma District Agreement”), the Company acquired 100% interest in mineral licenses in Nova Scotia. As consideration, the Company paid \$24,490 in cash. The mineral licenses in the Meguma District Agreement are subject to a two percent royalty on gross revenue.

On August 14, 2018, the Company entered into an asset purchase and sale agreement. Under the terms of the SW Meguma Asset Purchase and Sale Agreement (“SW Meguma Agreement”), the Company acquired 100% interest in mineral licenses in Nova Scotia. As consideration, the Company paid \$42,490 in cash. The mineral licenses in the SW Meguma Agreement are subject to a two percent royalty on gross revenue. This property was fully impaired during the year ended March 31, 2020.

On October 14, 2018, the Company entered into an asset purchase and sale agreement. Under the terms of the Central Meguma Asset Purchase and Sale Agreement (“Central Meguma Agreement”), the Company acquired 100% interest of mineral licenses in Nova Scotia. As consideration, the Company paid \$2,200 in cash. The mineral licenses in the Central Meguma Agreement are subject to a two percent royalty on gross revenue.

On March 24, 2020, the Company entered into an asset purchase and sale agreement. Under the terms of the Central Goldenville Asset Purchase and Sale Agreement (“Central Goldenville Agreement”), the Company acquired 100% interest of 203 mineral licenses in Nova Scotia. As consideration, the Company paid \$2,500 in cash. The mineral licenses in the Central Goldenville Agreement are subject to a 2% royalty on gross revenue.

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**4. Exploration and evaluation assets (continued)**

**Acquisition of Additional Mineral Licenses (continued)**

On March 24, 2020, the Company entered into an asset purchase and sale agreement. Under the terms of the Touquoy Regional Asset Purchase and Sale Agreement (“Touquoy Regional Agreement”), the Company acquired 100% interest of 477 mineral licenses in Nova Scotia. As consideration, the Company paid \$5,500 in cash. The mineral licenses in the Touquoy Regional Agreement are subject to a 2% royalty on gross revenue.

Option Agreements:

(i) Higgins Brook Property

On August 10, 2018, the Company entered into an Option Agreement (“Higgins Brook Property”) to explore and develop licenses located in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% Net Smelter Royalty (“NSR”). The Company has the option to reduce the NSR royalty to 1% with a payment of \$1,000,000.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of \$30,000 within 10 business days of signing the Higgins Brook Property Option Agreement; (paid)
- Cash payment of \$30,000 on or before the 12-month anniversary (paid);
- Cash payment of \$40,000 on or before the 18-month anniversary; and,
- Cash payment of \$100,000 on or before the 24-month anniversary.

On February 6, 2020, the existing option agreement with respect to Higgins Brook Property was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of \$60,000 was recognized during the year ended March 31, 2020.

(ii) Killag Property

On August 10, 2018, the Company entered into an Option Agreement (“Killag Property”) to explore and develop three licenses located in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% NSR royalty. The Company has the option to reduce the NSR royalty to 1% with a payment of \$1,000,000.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of \$7,500 within 10 business days of signing the Killag Property Option Agreement; (paid)
- Cash payment of \$30,000 on or before the 12-month anniversary (paid);
- Cash payment of \$30,000 on or before the 18-month anniversary (paid); and,
- Cash payment of \$100,000 on or before the 24-month anniversary.

(iii) NS Option Agreement

On September 11, 2018, the Company entered into an option agreement (“NS Option Agreement”) to explore and develop licenses located in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% NSR. The Company has the option to reduce the NSR royalty to 1% with a payment of \$1,000,000.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of \$5,000 within 14 business days of signing the NS Option Agreement; (paid)
- Cash payment of \$15,000 on or before the 12-month anniversary;
- Cash payment of \$20,000 on or before the 18-month anniversary; and,
- Cash payment of \$100,000 on or before the 24-month anniversary.

During the year ended March 31, 2020, the existing option agreement was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of \$5,000 was recognized during the year ended March 31, 2020.

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**4. Exploration and evaluation assets (continued)**

**Acquisition of Additional Mineral Licenses (continued)**

Option Agreements (continued):

(iii) Ecum Secum Option Agreement

On May 8, 2019, the Company entered into a Land Access Agreement (“Land Access”) to explore certain licenses in the Ecum Secum area of Halifax, Nova Scotia. As consideration, the Company paid \$3,500 (paid).

During the year ended March 31, 2020, the existing option agreement was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of \$3,500 was recognized during the year ended March 31, 2020.

(iv) Genius Option Agreement

On December 4, 2019, the Company entered into an option agreement (“Genius Option Agreement”) to explore and develop licenses 6 licenses covering 1,620 hectares in Nova Scotia (“Property”). The Genius Option Agreement allows the Company to earn up to a 70% interest in 6 mining exploration licenses by satisfying the following conditions:

- Issue 250,000 common shares within 10 business days of signing the Genius Option Agreement (Issued) (Note 7) with a fair value of \$41,250. Of the total shares issued, 125,000 common shares will be held in escrow and will be released on December 4, 2020;
- Earn 49.9% interest upon incurring \$100,000 in exploration work consisting of ground surveys and pre-drilling target work on or before the 18-month anniversary;
- Earn 20.1% interest upon incurring \$150,000 in exploration work, including a diamond drilling program on or before the 30-month anniversary.

Upon exercising the Genius Option Agreement in its entirety and earning 70% of the Property, Genius will have the option to convert the remaining 30% interest in the Property, into a 2% net smelter royalty.

**Cariboo Project**

On May 16, 2018, the Company closed the acquisition of 1161097 B.C. Ltd. (“116”) by way of a three-corner amalgamation with 1156219 B.C. Ltd, a wholly owned subsidiary of the Company. Under the terms of the definitive acquisition agreement (the “116 Agreement”), the Company acquired 100% of 116 and assumed all of its existing assets and underlying agreements at present, including:

- 100% ownership of the Cariboo Gold Project;
- 100% ownership of the Lac La Hache Gold Project; and
- 100% ownership of the Pinto Gold Project.

The Company issued 17,500,000 shares with a fair value of \$4,375,000 and paid a total of \$25,000 in cash to the shareholders of 116 to satisfy the terms of the 116 Agreement.

**Plenty Zone South Option**

On March 19, 2019, the Company entered into an Option Agreement (“Plenty Zone South” Property) to explore and develop licenses in Nova Scotia. The Company obtained an option to earn 100% interest subject to a 2% NSR. The Company has the option to reduce the NSR to 1% with a payment of \$1,000,000. The drilling date (“Drilling Date”) is the date the Company commences drilling activity.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- (i) Cash payment of \$10,000 on the date that is six months after the Drilling Date (paid);
- (ii) Cash payment of \$20,000 on the 12-month anniversary of the Drilling Date;
- (iii) Cash payment of \$30,000 on the 18-month anniversary of the Drilling Date; and,
- (iv) Cash payment of \$100,000 on the 24-month anniversary date of the Drilling Date.

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**4. Exploration and evaluation assets (continued)**

**Tay-LP Gold Property Mineral Option**

During the year ended March 31, 2019, the Company terminated its option in Tay-LP and the Company recorded impairment of \$171,399.

**White Caps Gold Project**

During the year ended March 31, 2019, the Company disposed of its wholly-owned subsidiary, WCMC, to an arm's length party. On the date of disposition, WCMC had net liabilities of \$122,411. The Company received \$13,600 (US\$10,000) from the acquirer and, as a result, the Company recognized a \$111,055 gain on disposal of WCMC.

**Palladium Project**

On March 10, 2020, the Company agreed to acquire 5 mineral claims for total of 3067 hectares, located in the Similkameen mining division approximately 7 and 20 km north west of Copper Mountain and hosts the potential for palladium and platinum associated with both the alkalic intrusive of the Okanagan ("Palladium Project"). The claims will be acquired from arm's length vendors in consideration of the sum of CDN\$125,000, and 6,000,000 fully paid and non-assessable common shares (issued) (Note 7). No finder's fees were paid in connection with the Acquisition.

As at March 31, 2020, the cash payment is outstanding and included in accounts payable and 6,000,000 common shares were issued with a fair value of \$840,000 (Note 7).

**5. Exploration and evaluation activity**

The following table provides a breakdown of exploration and evaluation activity of the Meguma Project during the year ended March 31, 2020 (note 4):

	<b>Meguma Project \$</b>
Assaying and others	180,600
Supplies	91,194
Drilling	172,838
Geological consultants	37,038
Geological surveying	857,311
<b>As at March 31, 2020</b>	<b>1,338,981</b>

The following table provides a breakdown of exploration and evaluation activity during the year ended March 31, 2019.

	<b>Meguma Project \$</b>	<b>Tay-LP Gold Project \$</b>	<b>Total \$</b>
Mining rights	286,089	5,757	291,846
Assaying	75,737	-	75,737
Supplies	161,053	59,285	220,338
Drilling	626,061	-	626,061
Geological consultants	1,501,797	51,057	1,552,854
Geological surveying	541,302	-	541,302
<b>As at March 31, 2019</b>	<b>3,192,039</b>	<b>116,099</b>	<b>3,308,138</b>

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**6. Accounts payable and accrued liabilities**

	<b>March 31, 2020</b>	March 31, 2019
	<b>\$</b>	<b>\$</b>
Accounts payable ( <i>Note 10</i> )	274,611	666,804
Accrued liabilities ( <i>Note 10</i> )	339,119	368,119
	<b>613,730</b>	<b>1,034,923</b>

All payables are unsecured, non-interest bearing, incurred in the normal course of the Company's business operations and are within the credit terms of each relevant supplier or service provider.

**7 Share capital and reserves**

**Authorized share capital**

Unlimited common shares without nominal or par value.

**Issued share capital**

As at March 31, 2020, the Company had 102,780,640 (2019: 96,530,640) issued common shares.

On December 9, 2019, the Company issued 250,000 common shares at \$0.165 per share for a total fair value of \$41,250 pursuant to the Genius Option Agreement (note 4).

On March 10, 2020, the Company issued 6,000,000 common shares at \$0.14 per share for a total fair value of \$840,000 pursuant to the Palladium mineral claims acquisition (note 4).

During the year ended March 31, 2019, the Company completed the following share issuances:

On April 20, 2018, the Company closed the first tranche of a private placement (the "Offering") by issuing 10,082,500 units ("the Units") at a subscription price of \$0.20 per Unit for gross proceeds to the Company of \$2,016,500. Each Unit consists of one common share ("Share") and one warrant ("Warrant") exercisable into one common share ("Warrant Share") at \$0.50 per share for a period of two years. The Warrants will be subject to a fourteen-day forced exercise provision should the Company's closing share price meet or exceed \$0.70 for ten consecutive trading days. A finder's fee of \$15,391 cash was paid and 76,950 broker warrants were issued with a fair value of \$10,534 in connection with the first tranche closing of the Offering. Each broker warrant is exercisable into a common share at a price of \$0.20 for a period of two years. The fair value of the broker warrants was estimated using the Black-Scholes Option Pricing Model using the following assumptions: dividend yield - 0%, risk-free rate - 1.93%, volatility - 143%, forfeiture rate - 0% and expected life - 2 years.

On May 2, 2018 the Company closed the second and final tranche of the private placement Offering by issuing 11,884,700 flow-through shares at a subscription price of \$0.30 per flow-through share for gross proceeds to the Company of \$3,565,410. Finders' fees and legal fees of \$258,821 cash were paid and 705,835 common shares were issued with a total fair value of \$211,751 in connection with the second and final tranche closing of the Offering. The Company recorded \$1,118,740 as a flow through liability (note 12).

The Company issued 17,500,000 million common shares pursuant to the acquisition of 116 by way of a three-corner amalgamation at a fair value of \$0.25 per share for a total fair value of \$4,375,000 (note 4).

The Company issued 15,500,000 common shares pursuant to the acquisition of 115 by way of a three-corner amalgamation at a fair value of \$0.25 per share for a total fair value of \$3,875,000 (note 4). The Company issued 1,240,000 million shares as finder's fees with a total fair value \$310,000 (note 4).

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**7. Share capital and reserves (continued)**

**Warrants**

Warrant transactions outstanding and exercisable for the year ended March 31, 2020 were as follows:

	Number of Warrants #	Weighted average exercise price \$
Balance, March 31, 2018	13,171,556	0.16
Issued	10,159,450	0.50
<b>Balance, March 31, 2019</b>	<b>23,331,006</b>	<b>0.18</b>
Expired	(1,616,000)	(0.35)
<b>Balance, March 31, 2020</b>	<b>21,715,006</b>	<b>0.16</b>

The remaining contractual life for the warrants outstanding was 0.90 years.

Expiry Date	Exercise Price \$	Number of Warrants #
November 23, 2021*	0.13	11,555,556
April 19, 2020**	0.20	10,159,450
		<b>21,715,006</b>

\* The Company extended the life of 11,555,556 warrants with an exercise price of \$0.13 originally expiring on November 23, 2019 for two years to November 23, 2021.

\*\* All warrants expired without exercise subsequent to March 31, 2020 (note 15).

**Options**

The Company has an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares. The Company can grant up to 10% of the Company's issued and outstanding share capital on a rolling basis. Such options will be exercisable for a period of up to four years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

The following table summarizes the changes in the outstanding stock options:

	Number of options #	Weighted average exercise price \$
Balance - March 31, 2018 and March 31, 2019	2,749,500	0.17
Issued	6,900,000	0.08
Balance - March 31, 2020	9,649,500	0.10

On June 13, 2019, the Company granted 200,000 stock options to an arm's length consultant. The options vest 50% immediately and 50% on September 13, 2019, with an exercise price of \$0.16 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be \$26,261 with the following inputs: stock price - \$0.14; exercise price - \$0.16; expected life - 5 years; volatility - 168%; and risk-free rate - 1.35%.

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**7. Share capital and reserves (continued)**

**Options (continued)**

On August 28, 2019, the Company granted 6,000,000 stock options to arm's length consultants. The options vested immediately, with an exercise price of \$0.08 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be \$420,362 with the following inputs: stock price - \$0.075; exercise price - \$0.08; expected life – 5 years; volatility – 167%; and risk-free rate – 1.23%.

On October 11, 2019, the Company granted 700,000 stock options to directors, officers and consultants. The options vested immediately, with an exercise price of \$0.09 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be \$58,888 with the following inputs: stock price - \$0.09; exercise price - \$0.09; expected life – 5 years; volatility – 163%; and risk-free rate – 1.55%.

The Company recognized stock-based compensation for \$505,511 during the year ended March 31, 2020 (2019: \$Nil)

The expiry and exercise prices of stock options outstanding and exercisable as at March 31, 2020 is as follows:

<b>Expiry Date</b>	<b>Exercise Price</b> \$	<b>Number of options outstanding and exercisable</b> #
June 7, 2020*	0.10	249,500
March 9, 2023	0.17	2,500,000
June 13, 2024	0.16	200,000
August 28, 2024	0.08	6,000,000
October 11, 2024	0.09	700,000
		<b>9,649,500</b>

\* All options expired without exercise subsequent to March 31, 2020 (note 15).

The weighted average life of outstanding options is 3.93 years.

**Share-based payment reserve**

Share-based payment reserve records the stock-based compensation expenses and warrant payments for services. At the time that stock options and warrants are exercised, the corresponding amount will be transferred to share capital.

**8. Expenses by nature**

General and administrative expenses by nature consist of the following:

<i>For the year ended</i>	<b>March 31, 2020</b> \$	March 31, 2019 \$
Office expenses	112,151	35,200
Travel	15,596	169,761
Insurance	9,500	8,329
Other administrative expenses	27,628	10,780
	<b>164,875</b>	<b>224,070</b>

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**9. Financial instruments and risks**

The Company's financial instruments consist of cash and cash equivalent, investments and accounts payable.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash and cash equivalents and investments.

Financial instruments classified as level 3 – Techniques which use inputs that have a significant effect on the recorded fair value, include warrants to purchase shares in Osprey Gold Developments Ltd. Management has considered various valuation techniques for the warrants including the Black Scholes Option Pricing Model and the intrinsic approach. Management has determined the fair value of the warrants to be \$nil based on the intrinsic value approach, because the warrant exercise price is more than the current market price and accordingly the warrants are out of the money.

The fair value of the accounts payable approximates to their carrying value due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and other receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. Other receivable represents GST/HST due from the Canadian government. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets. The Company has assessed credit risk as low.

**Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient liquidity to meet its financial obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company cautions that there are no cash flows from operations. The Company believes that its current cash holdings is adequate to meet its anticipated short-term obligations.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. As at March 31, 2020, the Company had a cash balance of \$1,023,103 (March 31, 2019 - \$4,293,704) to settle current liabilities of \$874,435 (March 31, 2019 - \$1,778,524).

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company has no material exposure at March 31, 2020 to interest rate risk through its financial instruments.

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**9. Financial instruments and risks (continued)**

**Market risk (continued)**

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any financial instruments denominated in a foreign currency. Foreign currency risk is assessed as low.

(iii) Price risk

The Company's exposure to price risk with respect to commodity and equity prices is minimal due to the fact that the Company is still in the exploration stage with no earnings. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company when warranted. The Company has assessed price risk as low.

**10. Related party transactions**

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

- a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

	<b>March 31, 2020</b>	March 31, 2019
	\$	\$
For the year ended		
Consulting fees accrued or paid to a company controlled by the President	162,000	88,000
Consulting fees accrued or paid to a company controlled by the CFO	60,000	45,000
Consulting fees accrued or paid to a company controlled by the former CFO	-	7,300
Consulting fees accrued or paid to a company controlled by the CEO	161,130	104,351
Exploration and evaluation expenditures paid to a company controlled by the CEO	-	90,145
Stock-based compensation incurred related to options granted to directors	54,675	-
Rent fees accrued or paid to a company jointly controlled by the President	6,000	24,000
	<b>443,895</b>	<b>358,796</b>

- b) As at March 31, 2020, total amounts payable to directors and companies owned by directors in accounts payable and accrued liabilities were \$270,064 (March 31, 2019 - \$191,619) (note 7). The balances due to related parties are interest free, due to demand and are unsecured.

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**11. Flow-through liability**

For the purposes of calculation any premium related to the issuance of the flow-through shares, the Company compared the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares (Note 7). As a result, the Company's flow-through liability on issuance of flow through shares in connection with private placements is as follows:

	<b>March 31, 2020</b>	March 31, 2019
	\$	\$
Balance, beginning of the year	743,601	-
Additions (Note 7)	-	1,118,740
Reversal	(482,896)	(375,139)
Balance, end of the year	260,705	743,601

**12. Income taxes**

A reconciliation of taxes at statutory tax rates with the reported taxes is as follows:

	<b>March 31, 2020</b>	March 31, 2019
	\$	\$
Loss before income taxes	(1,305,259)	(314,795)
Corporate tax rate	27%	27%
Expected tax recovery at statutory tax rates	(352,420)	(84,995)
Non-deductible items and other items	(114,490)	1,307,548
Effect of reversal of deferred tax of WCGM	-	(1,416,075)
Change in valuation allowance	466,910	193,520
	-	-

The significant components of the Company's deferred tax assets are as follows:

	<b>March 31, 2020</b>	March 31, 2019
	\$	\$
Property and equipment	232	232
Share issuance costs	41,347	62,616
Capital losses available for future period	925,203	954,400
Non-capital losses available for future period	2,279,861	1,762,485
	3,246,643	2,779,733
Valuation allowance	(3,246,643)	(2,779,733)
Net deferred tax assets	-	-

The non-capital losses expire from 2027 through 2040. The capital losses have no expiry.

**13. Management of capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue suitable business opportunities and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in note 9.

In the management of capital, the Company includes the components of Shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and investments.

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**13. Management of capital (continued)**

In order to facilitate the management of its capital requirements, the Company prepares monthly and annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations. The Company is not subject to externally imposed capital requirements. There are no changes in the Company's approach to capital management. The Company is not subject to restrictions.

**14. Investments**

During the year ended March 31, 2020, the Company purchased 17,600,000 common shares and 13,100,000 warrants from Osprey Gold Development Ltd (TSXV: OS), "Osprey", for \$862,910. During the year ended March 31, 2020, the Company sold 11,177,000 common shares for gross proceeds of \$764,271 and recognized a realized gain on sale of marketable securities of \$216,274. As at March 31, 2020, the Company holds 6,423,000 common shares with a fair value of \$289,035 and 13,100,000 share purchase warrants ("Osprey Warrants") which have been recorded at a \$nil fair value. As at March 31, 2020, the Company recognized an unrealized loss on marketable security of \$25,878.

The Company has approximately 9% ownership of Osprey and has no members on the board of directors as at March 31, 2020.

The Company entered into a letter of agreement on March 23, 2020 pursuant to which the Company will acquire 100% of the issued and outstanding shares of Osprey (the "Transaction"). Each shareholder of Osprey will receive such number of common shares of the Company (the "Company's share") as is equal to the product of the number of Osprey Shares held by such shareholder at an exchange ratio which equals one (1) the Company's shares per two (2) Osprey Shares outstanding at the closing of the Transaction. The Transaction has not closed yet.

**15. Subsequent events**

On May 8, 2020, the Company entered into a Promissory Note ("Promissory Note") of \$75,000 with Osprey. The Promissory Note is non-interest bearing, due on demand and is unsecured.

On June 3, 2020, the Company announced the disposition of 13,100,000 Osprey Warrants (Note 14) through private transactions with two arm's-length parties. Prior to the dispositions, the Company beneficially owned 6,423,000 common shares ("Shares") and 13,100,000 Osprey Warrants. As a result of the dispositions, the Company beneficially owns or controls 6,423,000 shares and no warrants, representing approximately 8.76% of the issued and outstanding shares of Osprey.

Subsequent to year end, the Company issued 299,500 common shares pursuant to the exercise of options for gross proceeds of \$28,950 (Note 7).

Subsequent to year end, 10,159,450 warrants expired without exercise (Note 7).