

CONQUEST RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

CONQUEST RESOURCES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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Independent Auditor's Report

To the Shareholders of Conquest Resources Limited

Opinion

We have audited the consolidated financial statements of Conquest Resources Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our 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 consolidated 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 consolidated financial statements in Canada. 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 in the consolidated financial statements, which indicates that the Company had a working capital deficiency and an accumulated deficit at December 31, 2019 and, as of that date, the Company expected to incur further losses. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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 Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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 of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 24, 2020

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian dollars

As at,		December 31, 2019	December 31, 2018
	Notes	\$	\$
ASSETS			
Current			
Cash		252,034	11,292
Amounts receivable		6,602	30,771
Prepaid expense		-	4,204
Total current assets		<u>258,636</u>	<u>46,267</u>
Long-term assets			
Investments in mineral rights	4	627,900	627,900
Mineral properties	4	<u>1</u>	<u>1</u>
Total long-term assets		<u>627,901</u>	<u>627,901</u>
Total assets		<u>886,537</u>	<u>674,168</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5, 10	251,804	73,719
Flow-through share premium liability	6	<u>78,130</u>	<u>-</u>
Total liabilities		<u>329,934</u>	<u>73,719</u>
SHAREHOLDERS' EQUITY			
Capital stock	6	15,484,532	15,335,331
Warrants	7	21,389	28,000
Share-based payment reserve	9	-	64,690
		<u>15,505,921</u>	<u>15,428,021</u>
Deficit		<u>(14,949,318)</u>	<u>(14,827,572)</u>
Total shareholders' equity		<u>556,603</u>	<u>600,449</u>
Total liabilities and shareholders' equity		<u>886,537</u>	<u>674,168</u>

Nature of operations and going concern (Note 1)
 Commitments and contingencies (Notes 1, 4 and 11)
 Subsequent events (Note 15)

The financial statements were approved by the Board of Directors on April 24, 2020 and signed on its behalf by:

Signed "John F. Kearney" _____, Director

Signed "Robert Kinloch" _____, Director

See accompanying notes to the consolidated financial statement

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,

	Notes	2019 \$	2018 \$
Expenses			
Corporate expenses		15,350	56,176
Professional fees	10	97,762	116,354
Office and general		26,680	24,579
Exploration and evaluation expenses	4	74,644	276,394
Loss before other items		<u>214,436</u>	<u>473,503</u>
Other Income			
Recovery on disposal of subsidiary	3	-	(17,403)
Flow-through premium		-	(16,020)
Net loss and comprehensive loss for the year		<u>214,436</u>	<u>440,080</u>
Net loss per common share			
- Basic and diluted		0.002	0.004
Weighted average common share outstanding			
- Basic and diluted		118,948,348	118,100,474

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Expressed in Canadian dollars

	Capital Stock \$	Warrants \$	Share-based payment reserve \$	Deficit \$	Total \$
Balance, December 31, 2017	14,959,021	24,030	67,000	(14,411,522)	638,529
Proceeds from private placement	295,000	-	-	-	295,000
Less reserve for warrants	(28,000)	28,000	-	-	-
Shares issued in settlement of debt	97,000	-	-	-	97,000
Exercise of stock options	12,310	-	(2,310)	-	10,000
Warrants expired	-	(24,030)	-	24,030	-
Loss for the year	-	-	-	(440,080)	(440,080)
Balance December 31, 2018	15,335,331	28,000	64,690	(14,827,572)	600,449
Warrants expired	-	(28,000)	-	28,000	-
Shares pursuant to an option agreement	2,500	-	-	-	2,500
Stock options expired	-	-	(64,690)	64,690	-
Proceeds from private placement	250,000	-	-	-	250,000
Less share issue costs	(3,780)	-	-	-	(3,780)
Less reserve for warrants	(21,389)	21,389	-	-	-
Less share premium liability	(78,130)	-	-	-	(78,130)
Loss for the year	-	-	-	(214,436)	(214,436)
Balance December 31, 2019	15,484,532	21,389	-	(14,949,318)	556,603

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

Expressed in Canadian dollars

	2019	2018
	\$	\$
Cash flows from operating activities		
Net loss for the year	(214,436)	(440,080)
Less flow-through premium	-	(16,020)
Non-cash exploration and evaluation expenditure	2,500	-
Movements in working capital		
Decrease/(increase) in amounts receivable and prepaid expense	28,373	(11,216)
Increase/(decrease) in accounts payable and accrued liabilities	174,305	(35,643)
Net cash used in operating activities	<u>(9,258)</u>	<u>(502,959)</u>
Cash flows from investing activities		
Proceeds on disposal of marketable securities	-	1,616
	<u>-</u>	<u>1,616</u>
Cash flows from financing activities		
Proceeds from issue of flow-through shares	250,000	-
Proceeds from issue of shares	-	295,000
Less share issue costs	-	(8,000)
Exercise of stock options	-	10,000
Net cash received from financing activities	<u>250,000</u>	<u>297,000</u>
Change in cash	240,742	(204,343)
Cash, beginning of year	<u>11,292</u>	<u>215,635</u>
Cash, end of year	<u>252,034</u>	<u>11,292</u>
Supplemental information:		
Shares issued pursuant to the MacBeth option agreement	2,500	-
Share issue costs included in accounts payable and accrued liabilities	(3,780)	(8,000)

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
Expressed in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Conquest Resources Limited (the “Company” or “Conquest”) has interests in exploration and evaluation properties located in northern Ontario. Substantially all of the Company’s efforts are devoted to exploring and developing these properties. The Company’s head office is located at 55 University Ave, Suite 1805, Toronto, Ontario, M5J 2H7.

There has been no determination whether the Company’s interests in its properties contain mineral resources which are economically recoverable. Major expenditures are required to locate and establish mineral deposits, to develop metallurgical processes and to construct mining and processing facilities. The Company’s continued existence is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. The Company’s exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company’s existing permits will be renewed or that new permits that have been applied for will be granted. Although the Company has taken steps to verify title to properties in which it has an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory requirements. The Company’s properties may also be subject to increases in taxes and royalties, renegotiating contracts and political uncertainty.

At December 31, 2019, the Company had a working capital deficiency, had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company has relied on equity financing to fund its working capital requirements. The Company will need to generate additional financial resources in order to fund its planned exploration programs (see Note 4). There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company may be required to discontinue operations and exploration activities.

The Company’s operations could be significantly adversely affected by the effects of the global spread of the contagious coronavirus causing the recent outbreak of COVID-19 respiratory disease which was declared a pandemic by the World Health Organization on March 11, 2020. The Company cannot accurately predict the impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the impact on schedules and timelines for planned exploration programs and the length of travel and quarantine restrictions imposed by governmental authorities. In addition, this widespread health crisis has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed below create a material uncertainty and significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements have been prepared on a historical cost basis except for marketable securities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

These consolidated financial statements were approved by the Board of Directors on April 24, 2020.

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company, its wholly-owned subsidiaries Northern Nickel Mining Inc. and Baobab Minerals Inc. (inactive), African Gold B.V. was disposed of for \$1.00 during 2018 resulting in the Company recognizing a recovery of \$17,403. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-company transactions, balances, income and expenses are eliminated on consolidation.

(b) Exploration and evaluation expenditures

Exploration and evaluation assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. Exploration expenditure relates to the initial search for precious and base metals. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

Exploration and evaluation costs are expensed as incurred and included in the consolidated statement of operations until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

(c) Rehabilitation provisions

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its mineral property interests and therefore no such liability has been recorded at December 31, 2019 and 2018.

(d) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in operations.

(e) Cash

Cash is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

(f) Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial assets (continued)

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations. Cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company’s financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

(g) Functional and presentation currencies

The functional currency of the Company and its subsidiaries is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items denominated in foreign currencies are retranslated at the rates prevailing on the transaction dates. Foreign currency translation differences are recognized in the consolidated statement of operations.

(h) Flow-through financing

The Company finances a portion of its project exploration activity through the issuance of flow-through shares.

Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to investors and deferred income tax expense and income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the closing market price of the Company's shares is allocated to liabilities. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss.

Where the Company has unused tax benefits on loss carry forwards and tax pools in excess of book value available for deduction which have not been previously accounted for as deferred tax assets, the Company records a deferred tax asset to offset the increase in deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

(i) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to capital stock.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. On expiry, any related amount in share-based payment or warrant reserve will be credited to deficit.

(j) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

Key sources of estimation uncertainty

Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Critical accounting judgements and key sources of estimation uncertainty (continued)

Mineral resource estimates

Mineral resources are estimated in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, Definitions and Guidelines and disclosed in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects" issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

Share-based payments

Estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Income, sales, withholding and other taxes

The Company is subject to income, sales, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, sales, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Impairment of exploration and evaluation assets

The assessment of exploration and evaluation assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is estimated as the higher of fair value less costs to sell and value in use. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined, future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

Estimation of rehabilitation provisions and asset retirement obligations and the timing of expenditure

The estimated future costs associated with legal and constructive obligations relating to the reclamation, rehabilitation and closure of exploration assets are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is estimated based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

(k) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. As a result, all outstanding convertible securities during the years ended December 31, 2019 and 2018 have been excluded from diluted loss per share.

CONQUEST RESOURCES LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Changes in Accounting Policies

During the year ended December 31, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16 and IFRIC 23. These new standards and changes did not have any material impact on the Company's financial statements.

(n) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea 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 on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

4. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company's cumulative exploration and evaluation expenditures which have been expensed according to the Company's accounting policy:

	December 31, 2019	Additions	December 31, 2018	Additions	December 31, 2017
	\$	\$	\$	\$	\$
Alexander	6,246,768	1,792	6,244,976	1,792	6,243,184
Golden Rose	351,174	50,115	301,059	266,383	34,676
Smith Lake	1,268,698	18,744	1,249,954	5,765	1,244,189
King Bay	1,003,189	3,993	999,196	2,454	996,742
Total	8,869,829	74,644	8,795,185	276,394	8,518,791

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4. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Alexander Property, Red Lake, Ontario

The Company has earned a 100% interest in the Alexander Property, a group of patented mining claims situated in Balmer Township, Red Lake Mining District, Ontario, subject to a 2% net smelter return (“NSR”) in favour of Energold Minerals Inc. (“Energold”). Energold is controlled by a director of the Company.

Golden Rose, Emerald Lake, Ontario

Through its wholly owned subsidiary, Northern Nickel Mining Inc. the Company holds four (4) mining leases and twenty five (25) staked mining claims, together with 148 additional claims in adjacent claim blocks, collectively known as the Golden Rose Property, situated in Afton and Scholes townships at Emerald Lake approximately 65 km northeast of Sudbury, Ontario. A portion of the Golden Rose property comprising certain of the 25 unpatented staked claims is subject to a 1.5% NSR in favour of Osisko Gold Royalties Ltd., and the patented claims and leases are subject to a 2% NSR in favour of EnerMark Inc. The Company invested \$627,900 to acquire the Golden Rose property through the acquisition of Northern Nickel Mining Inc in 2017.

Smith Lake Property, Missinabie, Ontario

The Company holds six (6) patented mining leases and one hundred eighty-one (181) mining claims in the Missinabie area of Northern Ontario, in Leeson, Stover and Rennie Townships, Sault Ste. Marie Mining Division, located approximately 100 kilometres northeast of Wawa.

King Bay Property, Sturgeon Lake, Ontario

The King Bay property comprises one Mining Lease and thirteen (13) Patented Mining Claims at Sturgeon Lake, in northwestern Ontario.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019 \$	December 31, 2018 \$
Trade payables	103,804	23,855
Payable to related parties (Note 10)	121,400	16,764
Accrued liabilities	26,600	33,100
Accounts payable and accrued liabilities	<u>251,804</u>	<u>73,719</u>

Subsequent to year-end, in March 2020, \$92,814 in liabilities due to related parties was settled or agreed to be settled through the issue of 1,856,286 common shares, 450,000 shares to Robert Kinloch, Director and 1,406,286 shares to Energold Minerals Inc. The Company also settled other accounts payable in the amount of \$51,667 through the issue of 1,033,333 shares. The shares were valued at \$0.05, which approximates the quoted market price on the date of issuance. See Note 15.

6. SHARE CAPITAL

Common shares	Common shares	Amount \$
Authorized		
Unlimited common shares, with no par value		
Issued and fully paid		
Balance at December 31, 2017	110,883,728	14,959,021
Proceeds from private placement	5,899,620	295,000
Shares issued in settlement of debt	1,940,000	97,000
Exercise of stock options	200,000	12,310
Less reserve for warrants	-	(28,000)
Balance at December 31, 2018	<u>118,923,348</u>	<u>15,335,331</u>
Shares issued on July 5, 2019	50,000	2,500
Shares issued on December 31, 2019	5,000,000	250,000
Less share issue costs	-	(3,780)
Less reserve for warrants	-	(21,389)
Less flow-through share premium liability	-	(78,130)
Balance at December 31, 2019	<u>123,973,348</u>	<u>15,484,532</u>

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6. SHARE CAPITAL (CONTINUED)

On December 31, 2019, the Company completed the first tranche of a non-brokered, private placement through the issuance of 5,000,000 flow through units for gross proceeds of \$250,000. Each unit consists of one flow through share and one-half of a common share purchase warrant and was priced at \$0.05 per unit. One whole warrant is exercisable to purchase one common share at an exercise price of \$0.075. for a period of one year from date of issue. Proceeds totaling \$250,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2020.

The fair value of the 2,500,000 warrants issued, in the amount of \$21,389, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: share price of \$0.03, expected dividend yield of 0%, expected volatility of 137%, risk free interest rate of 1.71%, at an exercise price of \$0.075 and an expected life of one year. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

The flow-through shares were issued at an average premium of \$0.016 per share to the current market of the Company's shares on the closing date. The premium of \$78,130 was recognized as a liability as at December 31, 2019. The liability will be reversed and recorded as other income from flow-through premium on the consolidated statement of operations upon renunciation in 2020.

On July 5, 2019, the Company issued 50,000 shares in connection with an option on claims near Golden Rose. The shares were valued at \$0.05 per share based on the market price of the Company's shares at the time of issue.

In January 2020, the Company completed the second tranche of its non-brokered, private placement through the issuance of 2,000,000 flow-through units and 1,000,000 units at a price of \$0.05 per unit, for gross proceeds of \$150,000. Each unit consists of one share and one-half of a share purchase warrant. One whole warrant is exercisable to purchase one common share at an exercise price of \$0.075 for a period of one year from issue. Proceeds totaling \$100,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2021.

In March 2020, the Company agreed to settle an aggregate indebtedness of \$144,480 by the issue of a total of 2,889,619 shares at a deemed issue price of \$0.05 per share. See Note 15.

On January 29, 2018, the Company completed the second tranche of its non-brokered, private placement through the issuance of 1,066,540 units and 900,000 flow-through units for gross proceeds of \$295,000. Proceeds totaling \$90,000 from the issuance of flow-through shares must be spent on qualifying Canadian exploration expenditures by December 31, 2019. Each unit consists of three common shares and one-half of a common share purchase warrant and was priced at \$0.15 per unit. Each flow-through unit consists of two flow-through shares, one common share, and one-half of a common share purchase warrant, and was priced at \$0.15 per flow-through unit. One whole warrant is exercisable for a period of one year from issue to purchase one common share at an exercise price of \$0.075.

The fair value of the 983,270 warrants issued, in the amount of \$28,000, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 164%, risk free interest rate of 1.86% and an expected life of one year. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

During 2018, the Company settled debt to related parties in the amount of \$70,000 through the issue of 1,400,000 shares valued at \$0.05 per share; 600,000 shares to Robert Kinloch, director, and 800,000 shares to Benjamin Batson, president. The Company also settled an account payable in the amount of \$27,000 to a consultant for geological services through the issue of 540,000 shares at \$0.05 per share.

See Note 10.

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7. WARRANTS

The following warrants were outstanding at December 31, 2019:

	Number of Warrants	Weighted Average Exercise Price \$	Expiry Date
Balance at December 31, 2017	801,000	0	
Warrants on units issued	983,270	0.075	January 29, 2019
Warrants expired	(801,000)	0.075	
Balance at December 31, 2018	983,270	0.075	
Warrants expired	(983,270)	0.075	
Warrants on units issued	2,500,000	0.075	December 31, 2020
Balance at December 31, 2019	2,500,000	0.075	

8. STOCK OPTIONS

The board of directors has approved a stock option plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten percent of the total number of common shares outstanding immediately prior to such an issuance. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five percent of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

During the year ended December 31, 2019, 5,600,000 stock options expired. On December 30, 2019, the Company granted 6,000,000 stock options at an exercisable price of \$0.05 per share, for a term of five years, all vesting quarterly over a period of two years, to directors, officers and service providers. Directors and officers were awarded 4,900,000 options. As these stock options were granted on December 30, 2019, no vesting and no expense in relation to this grant has been recorded in 2019.

The following table summarizes the stock option transactions for the years ended December 31, 2019 and 2018:

	Number of Options	Weighted Average Exercise Price \$
Balance, December 31, 2017	5,800,000	0.05
Stock options exercised	(200,000)	0.05
Balance, December 31, 2018	5,600,000	0.05
Stock options expired	(5,600,000)	0.05
Stock options issued	6,000,000	0.05
Balance, December 31, 2019	6,000,000	0.05

The following table summarizes the stock options outstanding as at December 31, 2019:

Number of stock options exercisable	Number of stock options outstanding	Weighted Average exercise price \$	Expiry Date
-	6,000,000	0.05	December 31, 2024
-	6,000,000	0.05	

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9. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the years ended December 31, 2019 and 2018 were as follows:

	\$
Balance, December 31, 2017	67,000
Stock options exercised	(2,310)
Balance, December 31, 2018	<u>64,690</u>
Stock options expired	(64,690)
Balance, December 31, 2019	<u>-</u>

10. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2019 or December 31, 2018.

During the year ended December 31, 2019, the Company made payments or accrued \$46,236 (2018 - \$68,882) to related parties, including \$22,500 for management fees to Robert Kinloch, Director, \$10,536 (2018 - \$9,282) for legal fees to Steenberglaw Professional Corporation, a company controlled by a director of the Company, and \$13,200 (2018 - \$7,200) for rent to Buchans Resources Limited, a company with common directors.

During the year ended December 31, 2019, the Company received \$70,314 (2018 - \$Nil) advances from Energold Minerals Inc, a company with a common director.

Included in accounts payable and accrued liabilities at December 31, 2019 is \$121,400 (2018 - \$16,764) due to related parties. Such amounts were due on demand, unsecured and non-interest bearing. Subsequent to year-end, \$92,814 in liabilities due to related parties was agreed to be settled through the issue of 1,856,286 common shares valued at \$0.05 per share, 450,000 shares to Robert Kinloch, Director and 1,406,286 shares to Energold Minerals Inc.

John Kearney, the Chairman and a director of the Company, subscribed for 2,000,000 shares for gross proceeds of \$100,000 in the December 2019 placement and for 1,000,000 shares for gross proceeds of \$50,000 in the 2020 placement.

See Notes 4, 5, 6, 8 and 15.

11. COMMITMENTS AND CONTINGENCIES

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

On December 31, 2019, the Company issued flow-through shares for aggregate subscription proceeds of \$250,000 with a commitment to incur the proceeds on qualifying Canadian expenditures prior to December 31, 2020. Subsequent to year-end, the Company issued flow-through shares for aggregate subscription proceeds of \$100,000 with a commitment to incur the proceeds on qualifying Canadian expenditures prior to December 31, 2021. See Notes 6 and 15.

During 2018, the Company issued flow-through shares for aggregate subscription proceeds of \$90,000 with a commitment to incur the proceeds on qualifying Canadian expenditures prior to December 31, 2019, which commitment was fulfilled.

The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that may become payable if the Company does not fulfil its obligations under the flow-through subscription agreements.

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12. INCOME TAXES

a) **Provision for Income Taxes**

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of approximately 25% (2018 – 25%) were as follows:

	2019 \$	2018 \$
(Loss) before income taxes	<u>(214,436)</u>	<u>(440,080)</u>
Expected income taxes based on statutory rate	(54,000)	(110,000)
Adjustment to expected income tax benefit:		
Flow-through renunciation	-	63,000
Expenses not deductible for tax purposes	-	(424,000)
Other	(1,000)	(5,000)
Deferred tax assets not recognized	<u>55,000</u>	<u>476,000</u>
	<u>-</u>	<u>-</u>

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

	2019 \$	2018 \$
Non-capital loss carry-forwards	1,498,000	1,295,000
Exploration assets	3,267,000	3,219,000
Capital losses	3,410,000	3,365,000
Share issue costs	<u>8,000</u>	<u>8,000</u>
	<u>8,183,000</u>	<u>7,887,000</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) **Tax loss Carry-Forwards**

The Company has approximately \$3,895,000 of Canadian exploration expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2019, the Company has approximately \$1,498,000 of non-capital losses in Canada, which expire as follows:

	\$		\$
2028	1,000	2034	219,000
2029	4,000	2035	214,000
2030	9,000	2036	93,000
2031	95,000	2037	249,000
2032	213,000	2038	193,000
2033	65,000	2039	<u>143,000</u>
			<u>1,498,000</u>

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13. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major Canadian banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks.

Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals, particularly gold.

Fair value hierarchy and liquidity risk disclosure

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At December 31, 2019, the Company had no financial instruments to classify within the fair value hierarchy.

The carrying amounts for cash, amounts receivable and accounts payable and accrued liabilities on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2019, the Company had cash of \$252,034, (December 31, 2018 - \$11,292) to settle accounts payable and accrued liabilities of \$107,324, (excluding subsequently agreed debt settlements of \$144,480 through the issue of shares) (December 31, 2018 - \$73,719). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk through its investments in marketable securities.

Price volatility of publicly traded securities

Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations.

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration assets. The capital structure of the Company consists of shareholders' equity.

Sensitivity analysis

Cash is invested in investment-grade short-term deposit certificates. At December 31, 2019, the Company did not hold any short-term deposit certificates. Based on management's knowledge and experience in the financial markets, sensitivity to a plus or minus 1% change in rates, based on the current balance of cash at December 31, 2019, would affect the net loss by plus or minus \$Nil during a one-year period.

As at December 31, 2019 and 2018, the Company did not hold any material balances in foreign currencies that would give rise to exposure to foreign exchange risk.

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14. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

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

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

There were no changes to the Company's approach to capital management during the years ended December 31, 2019 and 2018. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

15. SUBSEQUENT EVENTS

In January 2020, the Company completed the second tranche of its non-brokered, private placement through the issuance of 2,000,000 flow-through units and 1,000,000 units at a price of \$0.05 per unit, for gross proceeds of \$150,000. Each unit consists of one share and one-half of a share purchase warrant. One whole warrant is exercisable to purchase one common share at an exercise price of \$0.075 for a period of one year from issue. Proceeds totaling \$100,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2021. See Note 10.

In March 2020, the Company agreed a 'shares for debt' settlement of an aggregate indebtedness of \$144,480 by the issue of a total of 2,889,619 shares at a deemed issue price of \$0.05 per share. Included in this settlement was the issuance of: (i) 1,033,333 shares valued at \$51,666 to various arm's length creditors; (ii) 450,000 shares valued at \$22,500 to Robert Kinloch, President, as compensation for professional and management services; and (iii) subject to approval from the TSX Venture Exchange (TSXV), 1,406,286 shares valued at \$70,314 to Energold Minerals Inc., an affiliate of John Kearney, a director and Chairman of the Company, in settlement of advances previously provided for working capital.