Rock Tech Lithium Inc.
Consolidated Financial Statements
March 31, 2020

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Rock Tech Lithium Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	March 31, 2020	December 31, 2019
ASSETS		$	$
Current assets			
Cash and cash equivalents		1,800,031	1,650,864
Receivables		8,191	10,505
Prepaid expenses and deposits	4, 7	110,373	69,950
		1,918,595	1,731,319
Non-current assets			
Equipment	3	6,660	7,011
Exploration and evaluation assets	4	3,920,471	3,832,652
TOTAL ASSETS		5,845,726	5,570,982
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	303,824	242,623
Due to related parties	7	6,821	50
TOTAL LIABILITIES		310,645	242,673
SHAREHOLDERS' EQUITY			
Share capital	6	33,597,372	31,975,292
Subscriptions received	6	-	1,046,250
Reserves	6	7,827,192	6,794,380
Deficit		(35,889,482)	(34,487,613)
TOTAL SHAREHOLDERS' EQUITY		5,535,082	5,328,309
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,845,726	5,570,982

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
EVENTS AFTER THE REPORTING PERIOD (Note 10)

Approved on behalf of the Board:

"DIRK HARBECKE"
Dirk Harbecke – Director

"MARTIN STEPHAN"
Martin Stephan – Director

Rock Tech Lithium Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Quarter ended March 31, 2020	2019
		$	$
Expenses			
Amortization	3	351	438
Consulting fees	7	59,170	27,697
General administration		11,954	10,990
Management fees	7	122,500	83,000
Professional fees		2,985	4,327
Project investigations		19,176	237
Salaries and wages	7	52,500	41,500
Stock-based payments	6	1,032,812	-
Transfer agent and filing fees		21,861	15,142
Travel and promotion		78,562	59,571
Comprehensive loss for the year		(1,401,871)	(242,902)
Loss per share – basic and diluted		(0.04)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		35,734,646	34,398,588

Rock Tech Lithium Inc.
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars)

		Share capital		Reserves					
	Note	Number of Shares	Amount	Conversion feature reserve	Stock option reserve	Warrant reserve	Subscriptions received	Deficit	Total
			$	$	$	$	$	$	$
Balance at January 1, 2019		34,398,588	31,261,288	75,994	5,901,035	748,266	-	(33,438,319)	4,548,264
Shares issued for services	6	22,414	13,000	-	-	-	-	-	13,000
Shares issued for private placement	6	778,892	701,003	-	-	-	-	-	701,003
Stock-based payments	6	-	-	-	69,085	-	-	-	69,085
Subscriptions received	6	-	-	-	-	-	1,046,250	-	1,046,250
Loss and comprehensive loss for the year		-	-	-	-	-	-	(1,049,293)	(1,049,293)
Balance at December 31, 2019		35,199,894	31,975,292	75,994	5,970,120	748,266	1,046,250	(34,487,613)	5,328,309
Stock-based payments		-	-	-	1,032,812	-	-	-	1,032,812
Shares issued for private placement		3,604,622	1,622,080	-	-	-	(1,046,250)	-	575,830
Loss and comprehensive loss for the period		-	-	-	-	-	-	(1,401,871)	(1,401,871)
Balance at March 31, 2020		38,804,516	33,597,372	75,994	7,002,932	748,266	-	(35,889,484)	5,535,080

Balance at January 1, 2019		34,398,588	31,261,288	75,994	5,901,035	748,266	-	(33,438,319)	4,548,264
Subscriptions received	6	-	701,003	-	-	-	-	-	701,003
Loss and comprehensive loss for the year		-	-	-	-	-	-	(242,902)	(242,902)
Balance at March 31, 2019		**34,398,588**	**31,962,291**	**75,994**	**5,901,035**	**748,266**	**1,046,250**	**(34,681,221)**	**5,006,365**

Rock Tech Lithium Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Quarter ended March 31,	
	2020	2019
	$	$
Operating activities		
Net loss for the year	(1,401,870)	(242,902)
Adjustments for non-cash items:		
Amortization	351	438
Stock-based payments	1,032,812	-
Changes in non-cash working capital items:		
Receivables	2,314	6,388
Prepaid expenses and deposits	(40,423)	(11,933)
Accounts payables and accrued liabilities	61,201	(47,642)
Due to related parties	6,771	18,700
Net cash flows used in operating activities	(338,844)	(276,950)
Investing activities		
Expenditures on exploration and evaluation assets	(87,819)	(54,053)
Net cash flows used in investing activities	(87,819)	(54,053)
Financing activities		
Issuance of shares for cash, including subscriptions received	575,830	701,003
Net cash flows from financing activities	575,830	701,003
Increase/(Decrease) in cash	149,167	370,001
Cash and cash equivalents, beginning	1,650,864	1,226,703
Cash and cash equivalents, ending	**1,800,031**	**1,596,704**

See supplemental disclosure of non-cash transactions in Note 9.

1. Nature and continuance of operations

Rock Tech Lithium Inc. (the "Company") was incorporated in British Columbia ("BC") and is involved in mineral exploration. The Company is a Tier II listed issuer on the TSX Venture Exchange ("TSX-V") and trades under the symbol "RCK". The head office, principal address and records office of the Company are located at 777 Hornby Street, Suite 600, Vancouver, BC, Canada, V6Z 1S4.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries (the "Group") will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2020, the Company had not advanced any of its properties to commercial production. The recoverability of carrying amounts for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral properties, the ability of the Company to obtain necessary financing to complete exploration and development, achievement of future profitable production or proceeds from the disposition thereof. The Company has not yet determined whether these properties contain ore reserves that are economically recoverable.

The Company's continuation as a going-concern is dependent upon the successful results of its mineral property exploration activities and its ability to raise equity capital sufficient to meet current and future obligations. As at March 31, 2020, the Company has no source of revenue, has an accumulated deficit of $35,663,596 and expects to incur further losses in the exploration and development of its mineral properties. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company has working capital of $1,614,509 on March 31, 2020. Management believes that the Company has sufficient working capital for the next 12 months to fund on-going operating costs, but additional funding may be required.

2. Significant accounting policies and basis of preparation

These financial statements were authorized for issue on June 1, 2020, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards
The consolidated interim financial statements have been prepared in accordance with accounting policies as prescribed under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of Rock Tech Lithium Inc. as at and for the year ended December 31, 2019. Accordingly, the accounting policies applied are the same as those applied in the above annual financial statements which are filed on SEDAR at www.sedar.com.

Basis of preparation
The consolidated financial statements of the Group have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

New accounting standards effective for annual periods on or after January 1, 2019:

(Expressed in Canadian dollars)

2. Significant accounting policies and basis of preparation (continued)

IFRS 16 Leases: IFRS 16 was issued in January 2016 and specifies how a company will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting substantially unchanged from its predecessor, IAS 17. As of the date of this report, the Company does not have any leases which qualify under IFRS 16; therefore, there is no effect on the consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments: IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The Company has assessed that it is probable that the relevant tax authority will accept the Company's treatment as reported in its income tax filings; therefor, there is no effect on the consolidated financial statements.

Consolidation
The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned	
	Province of incorporation	**Mar. 31, 2020**	**Dec. 31, 2018**
James Bay Midarctic Developments Inc.	Ontario	100%	100%
1127075 B.C. Ltd.	BC	100%	100%
Minerales de Baterias, S.A. de C.V.	Mexico	100%	100%
1152011 B.C. Ltd.	BC	100%	100%

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant estimates and assumptions
The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and assumptions.

2. Significant accounting policies and basis of preparation (continued)

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

Foreign currency translation
The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent and subsidiary companies' functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Equipment
Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Equipment is recorded at cost and amortized using a declining balance rate of 20%. Any structures on exploration properties including buildings, fencing or other installations are recorded at cost and amortized using a declining balance rate of 20%. The Company records one-half amortization in the year of acquisition.

Exploration and evaluation expenditures
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 in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Group 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 technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

2. Significant accounting policies and basis of preparation (continued)

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.

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Restoration and environmental obligations

The Group recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Group's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Group's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Group's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

2. Significant accounting policies and basis of preparation (continued)

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Group's accounting policy for exploration and evaluation assets.

Share-based payments

The Group operates an employee stock option plan. 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 option 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.

Financial Instruments

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 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 IFRS 9
Cash and cash equivalents	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

Measurement

<u>Financial assets and liabilities at amortized cost</u>

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.

<u>Financial assets and liabilities at FVTPL</u>

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of 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 comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

2. Significant accounting policies and basis of preparation (continued)

Impairment of financial assets at amortized cost
The Company recognizes 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 has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of 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.

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 statements of comprehensive loss.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Income taxes

Deferred income tax:
Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian dollars)

3. Equipment

	Field equipment
Cost:	
At December 31, 2017, 2018, 2019	$ 45,069
Accumulated Amortization:	
At December 31, 2018	(36,305)
Charge for the year	(1,753)
At December 31, 2019	(38,058)
Charge for the period	(351)
March 31, 2020	(38,409)
Net book value:	
At December 31, 2019	$ 7,011
At March 31, 2020	$ 6,660

4. Exploration and evaluation assets

Georgia Lake, Ontario	**Quarter ended: March 31, 2020**	**Year ended: December 31, 2019**
Property acquisition costs		
Balance, beginning of year	$ 1,420,175	$ 1,419,525
Acquisitions	-	650
Balance, end of year	1,420,175	1,420,175
Exploration and evaluation expenditures		
Balance, beginning of year	2,412,478	2,113,551
Costs incurred during year:		
Administration	1,369	36,763
Assaying	36,696	93,950
Camp and field costs	3,332	17,314
Environmental consulting	19,470	58,314
Geological consulting	15,844	77,638
Labour	9,246	-
Permitting and land holding costs	679	6,110
Transportation	1,183	8,838
	87,819	298,927
Balance, end of year	2,50,296	2,412,478
Total	**$ 3,920,471**	**$ 3,832,652**

Georgia Lake, Ontario

The Company holds a 100% interest in the Georgia Lake lithium project. The total Georgia Lake land package consists of 273 claim units and 41 mining leases.

(Expressed in Canadian dollars)

5. Accounts payable and accrued liabilities

		March 31, 2020		December 31, 2019
Trade payables	$	299,824	$	222,623
Accrued liabilities		4,000		20,000
	$	303,824	$	246,623

6. Share capital

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital

During the quarter ended March 31, 2020, the Company issued 3,604,622 Units at $0.45 per Unit related to the closing of a private placement. Each Unit consisted of one common share and one-half of one share purchase warrant with each whole warrant exercisable into one common share at a price of $0.70 until February 5, 2023.

During the year ended December 31, 2019, the Company issued 778,892 Units at $0.90 per Unit related to the closing of a private placement. Each Unit consisted of one common share and one-half of one share purchase warrant with each whole warrant exercisable into one common share at a price of $1.25 until April 8, 2022.

At December 31, 2019, the Company had received $1,046,250 towards a future private placement (Note 11).

During the year ended December 31, 2019, the Company issued 22,414 common shares related to a shares-for-services consulting agreement. The fair value of the services was $13,000 and the common shares were issued at a price of $0.58 per share.

During the year ended December 31, 2018, the Company issued 500,000 common shares related to the exercise of stock options. The options had a weighted average exercise price of $0.55 per share. Upon exercise, an amount of $250,000 was reclassified from stock option reserve to share capital.

During the year ended December 31, 2018, the Company issued 468,334 common shares related to the exercise of warrants. The warrants had a weighted average exercise price of $0.50 per share.

During the year ended December 31, 2018, the Company issued 65,238 common shares related to a shares-for-services consulting agreement. The shares were issued with a weighted average fair value of $1.20 per share, or $78,000.

Basic and diluted loss per share
The calculation of basic and diluted loss per share for the years ended December 31, 2019 and 2018 was based on the loss attributable to common shareholders and the weighted average number of common shares outstanding. Diluted loss per share did not include the effect of stock options and warrants as the effect would be anti-dilutive.

Stock options
The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to

6. Share capital (continued)

directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. In connection with the foregoing, the number of Common Shares reserved for issuance to any one person in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the grant, unless the Company has obtained Disinterested Shareholder Approval to exceed such limit.

On December 20, 2017, the Company granted 1,350,000 stock options to directors and officers of the Company. The options have an exercise price of $1.50. The grant date fair value of the options recognized as share-based compensation in the year was $1,960,582, based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 0.86%; volatility of 150%; dividend rate 0%; forfeiture rate 0%; and expected life of 2 years. On December 31, 2018, the expiry date of these stock options was extended to December 31, 2021 and an additional $471,389 of share-based compensation was recorded based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.85%; volatility of 108%; dividend rate 0%; forfeiture rate 0%; and expected life of 3 years. On January 14, 2020, the exercise price of these stock options was amended to $0.53 and the expiry date was extended to December 31, 2025. An additional $516,632 of share-based compensation was recorded based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.69%; volatility of 169%; dividend rate 0%; forfeiture rate 0%; and expected life of 5 years.

On January 12, 2018, the Company granted 10,000 stock options to a consultant of the Company. The options have an exercise price of $1.66. The grant date fair value of the options recognized as share-based compensation in the year was $6,751, based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.71%; volatility of 85%; dividend rate 0%; forfeiture rate 0%; and expected life of 1.5 years.

On May 23, 2018, the Company granted 25,000 stock options to a consultant of the Company. The options have an exercise price of $1.36. The grant date fair value of the options recognized as share-based compensation in the year was $11,870, based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.98%; volatility of 72%; dividend rate 0%; forfeiture rate 0%; and expected life of 1.50 years.

On August 6, 2018, the Company granted 1,505,000 stock options to a directors, officers, employees and consultants of the Company. The options have an exercise price of $0.88. The grant date fair value of the options recognized as share-based compensation in the year was $1,311,174, based on the Black-Scholes

Option Pricing Model, with the following assumptions: risk free rate 2.23%; volatility of 150%; dividend rate 0%; forfeiture rate 0%; and expected life of 3 years. On January 14, 2020, the exercise price of these stock options was amended to $0.53 and the expiry date was extended to December 31, 2025. An additional $278,901 of share-based compensation was recorded based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.69%; volatility of 234%; dividend rate 0%; forfeiture rate 0%; and expected life of 5.97 years.

On June 7, 2019, the Company granted 225,000 stock options to consultants of the Company. The options have an exercise price of $0.62. The grant date fair value of the options recognized as share-based compensation in the year was $69,085, based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.43%; volatility of 130%; dividend rate 0%; forfeiture rate 0%; and expected life of 3 years. On January 14, 2020, the exercise price of these stock options was amended to $0.53.

(Expressed in Canadian dollars)

6. Share capital (continued)

On January 14, 2020, the Company granted 500,000 stock options to a director and officer of the Company. The options have an exercise price of $0.43. The grant date fair value of the options recognized as share-based compensation for the period was $214,018, based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.69%; volatility of 234%; dividend rate 0%; forfeiture rate 0%; and expected life of 5.97 years.

On January 14, 2020, the Company granted 10,000 stock options to a consultant of the Company. The options have an exercise price of $0.53. The grant date fair value of the options recognized as share-based compensation for the period was $5,279, based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.69%; volatility of 234%; dividend rate 0%; forfeiture rate 0%; and expected life of 5.97 years.

On January 14, 2020, 45,000 stock options originally granted on July 18, 2017 with an exercise price of $0.93 were amended to an exercise price of $0.53. The expiry date of these stock options was also amended to December 31, 2025. An additional $17,952 of share-based compensation was recorded based on the Black-Scholes Option Pricing Model, with the following assumptions: risk free rate 1.69%; volatility of 285%; dividend rate 0%; forfeiture rate 0%; and expected life of 5.97 years.

The changes in options during the quarter ended March 31, 2020 and 2019 are as follows:

	March 31, 2020		March 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	3,510,000	$ 1.67	3,435,000	$ 1.67
Options granted	510,000	0.43	-	-
Options exercised	-	-	-	-
Options cancelled	(500,000)	0.05	-	-
Options expired	(10,000)	1.66	(50,000)	1.12
Options outstanding, ending	3,510,000	$ 0.51	3,385,000	$ 1.01

Details of options outstanding at March 31, 2020 are as follows:

Number outstanding	Price	Remaining Life	Weighted average grant date fair value
500,000	$0.43	5.76 years	$0.428
10,000	$0.53	5.76 years	$0.528
225,000	$0.53	2.18 years	$0.307
1,480,000	$0.53	5.76 years	$0.871
45,000	$0.53	5.76 years	$0.895
1,250,000	$0.53	5.76 years	$1.452

(Expressed in Canadian dollars)

6. Share capital (continued)

Warrants

The changes in warrants during the quarters ended March 31, 2020 and 2019 are as follows:

	March 31, 2020		March 31, 2019	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Warrants outstanding, beginning	1,835,002	$ 0.93	1,445,556	$ 1.45
Warrants issued	1,802,311	0.70	-	-
Warrants exercised	-	-	-	-
Warrants outstanding, ending	3,637,313	$ 0.82	1,445,556	$ 1.45

Details of warrants outstanding as at March 31, 2020 are as follows:

Number outstanding	Price	Remaining Life
389,446	$0.85	2.02 years
1,445,556	$0.95	0.73 years
1,802,311	$0.70	2.85 years

On January 14, 2020, the Company amended the exercise price of 389,446 warrants to $0.85; these warrants had an exercise price of $1.25 on the date of issuance. Additionally, the Company amended the exercise price of 1,445,556 warrants to $0.95; these warrants had an exercise price of $1.45 on the date of issuance.

Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in the reserve account.

Warrant reserve

The warrant reserve records items recognized as the value of agent's warrants issued with respect to financings, until such time as the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount remains in the reserve account.

Conversion feature reserve

The conversion feature reserve records the value of conversion features related to convertible debt financings, until such time as the conversion feature is exercised, at which time the corresponding amount will be transferred to share capital. If the debt expires unconverted, the amount remains in the reserve account.

7. Related party transactions

The following amounts are due to related parties:

		March 31, 2020		December 31, 2019
Directors and officers of the Company and its subsidiaries	$	6,821	$	50
Management fees included in prepaid expenses	$	17,500	$	17,500

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The Group incurred the following transactions with directors and officers of the Company.

	Quarters ended March 31,			
		2020		2019
Management fees	$	122,500	$	83,000
Salaries		52,500		41,500
Consulting fees		21,730		4,667
	$	196,730	$	129,167

8. Financial risk and capital management

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Foreign exchange 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 Group is not materially exposed to currency risk as it incurs expenditures that are primarily denominated in Canadian dollars.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Group's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has a planning and budgeting process in place to help determine the funds required to support the Group's normal operating requirements on an ongoing basis. The Group ensures that there are sufficient

funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Group's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Group's access to financing is always uncertain. There can be no assurance

(Expressed in Canadian dollars)

8. Financial risk and capital management (continued)

of continued access to significant equity funding. The Group believes it has adequate cash at December 31, 2019 to reduce its risk.

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 market interest rates. The Group is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would not have a material impact on the Group's net loss.

Capital management
The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of working and share capital. There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

Classification of financial instruments

a) Categories of financial instruments

	March 31, 2020	December 31, 2019
FINANCIAL ASSETS		
FVTPL		
Cash and cash equivalents	$ 1,800,031	$ 1,650,864
Total financial assets	$ 1,800,031	$ 1,650,864
FINANCIAL LIABILITIES		
Amortized cost		
Trade payables	$ 299,824	$ 222,623
Due to related parties	6,821	50
Total financial liabilities	$ 306,645	$ 222,673

b) Fair value

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Group considers that the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in these consolidated financial statements approximate their fair values due to the demand nature or short-term maturity of these instruments. Cash and cash equivalents are classified as Level 1 fair value. There were no transfers between Level 1 and Level 2 during the quarter ended March 31, 2020.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at March 31, 2020, the Group does not have any Level 3 financial instruments.

9. Supplemental non-cash transactions

During the quarter ended March 31, 2020, the Company did not incur any non-cash transactions.

10. Events after the reporting period

On May 15, 2020, disinterested shareholder approval was received for amendments to certain stock options granted to Insiders of the Company (as announced on January 15, 2020). On May 19, 2020, the TSX Venture Exchange approved the stock option amendments (see Note 6).