

CARIBOO ROSE RESOURCES LTD.

Condensed Interim Financial Statements

For the three months ended May 31, 2020 and 2019

Unaudited

(Expressed in Canadian dollars)

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NOTICE TO READER:

These condensed interim financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management.

Cariboo Rose Resources Ltd.
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

	May 31, 2020	February 29, 2020
ASSETS		
Current		
Cash and cash equivalents	\$ 1,838,839	\$ 379,897
Accounts receivable	18,046	20,635
Investments (Note 3)	-	1,522,650
	1,856,885	1,923,182
Investments (Note 3)	1,742	1,742
Exploration and evaluation assets (Note 4)	619,519	614,373
Project deposits (Note 4)	10,500	10,500
Equipment	17,255	4,324
Right-of-use asset (Note 5)	155,168	162,798
Receivable from Eastfield Resources Ltd. (Note 9)	12,000	12,000
	\$ 2,673,069	\$ 2,728,919
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 30,000	\$ 34,211
Lease obligations - current (Note 5)	25,425	25,425
Payable to related parties (Note 9)	15,154	29,832
Other Liability (Note 6)	28,225	30,155
	98,804	119,623
Lease obligations – long term (Note 5)	139,822	145,910
	238,626	265,533
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	2,452,640	2,452,640
Warrant reserve (Note 6)	510,937	510,937
Options reserve (Note 6)	364,928	364,928
Accumulated other comprehensive loss	(783,307)	(786,932)
Deficit	(110,755)	(78,187)
	2,434,443	2,463,386
	\$ 2,673,069	\$ 2,728,919

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

Cariboo Rose Resources Ltd.

Condensed Interim Statements of Loss and Comprehensive Loss For the Three Months Ended May 31, 2020 and 2019

(Unaudited – Expressed in Canadian dollars)

	2020	2019
Expenses		
Depreciation (Note 6)	\$ 7,630	\$ -
Consulting	8,050	4,967
Interest and bank charges	82	29
Investor relations	6,761	1,885
Office	1,424	1,286
Rent		7,368
Salaries and benefits	6,071	5,359
Transfer and filing fees	977	977
Loss before the following	30,995	21,871
Other (income)/expense		
Interest income	(7)	(6)
Interest expense on lease obligations (Note 6)	3,510	-
Other Income	(1,930)	-
NET LOSS	32,568	21,865
OTHER COMPREHENSIVE (INCOME) LOSS		
Items that will not be reclassified to net income or loss		
Change in fair value of equity investments (Note 4)	(3,625)	9,740
COMPREHENSIVE LOSS	\$ 28,943	\$ 31,605
BASIC AND DILUTED LOSS PER SHARE	0.001	0.000
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	47,461,888	45,796,888

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

Cariboo Rose Resources Ltd.

Condensed Interim Statements of Changes in Shareholders' Equity

For the Three Months Ended May 31, 2020 and 2019

(Unaudited – Expressed in Canadian dollars)

	Number of Common Shares	Share Capital (Note 6)	Warrant Reserve (Note 6)	Options Reserve (Note 6)	Accumulated Other Comprehensive (Loss)/Income	Deficit	Total Shareholders' Equity
Balances, February 28, 2019	45,796,888	\$ 2,402,379	\$ 510,937	\$ 336,172	\$ (35,097)	\$ (1,505,309)	\$ 1,709,082
Change in fair value of investments (Note 3)	-	-	-	-	(9,740)	-	(9,740)
Net loss for the period	-	-	-	-	-	(21,865)	(21,865)
Balance, May 31, 2019	45,796,888	\$ 2,402,379	\$ 510,937	\$ 336,172	\$ (44,837)	\$ (1,527,174)	\$ 1,677,477
Private placement, net of share issue costs	1,665,000	80,416	-	-	-	-	80,416
Fair value of tax deductions sold during private placements (Note 7)	-	(30,155)	-	-	-	-	(30,155)
Share-based compensation	-	-	-	28,756	-	-	28,756
Change in fair value of investments (Note 4)	-	-	-	-	(729,858)	-	(729,858)
Reclassification of realized gain on disposal of investment (Note 4)	-	-	-	-	(12,237)	12,237	-
Net income for the period	-	-	-	-	-	1,436,750	1,436,750
Balances, February 29, 2020	47,461,888	\$ 2,452,640	\$ 510,937	\$ 364,928	\$ (786,932)	\$ (78,187)	\$ 2,463,386
Reclassification of realized loss on disposal of investment (Note 4)	-	-	-	-	761,441	(761,441)	-
Change in fair value of investments (Note 4)	-	-	-	-	3,625	(32,568)	(28,943)
Balances, May 31, 2020	47,461,888	\$ 2,452,640	\$ 510,937	\$ 364,928	\$ (21,866)	\$ (872,196)	\$ 2,434,443

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

Cariboo Rose Resources Ltd.
Condensed Interim Statements of Cash Flows
For the Three Months Ended May 31, 2020 and 2019
(Unaudited – Expressed in Canadian dollars)

	2020	2019
Cash provided by (used in)		
Operating activities		
Net income (loss)	\$ (32,568)	\$ (21,865)
Adjustments to reconcile net (income) loss from operating activities:		
Depreciation	7,630	-
Other Income	(1,930)	
Interest expense on lease obligations	3,510	-
	23,358	(21,865)
Changes in non-cash working capital components		
Accounts receivable	2,589	(1,951)
Accounts payable and accrued liabilities	(4,211)	(30,451)
Payable to related parties	(14,678)	35,508
	(39,658)	(18,759)
Investing activities		
Purchase of equipment	(12,931)	-
Mineral property acquisition costs	(602)	(1,273)
Mineral property exploration expenditures	(24,544)	(14,041)
Mineral property option proceeds	20,000	-
Proceeds from sale of investment	1,526,275	-
	1,508,198	(15,314)
Financing activities		
Lease payments	(9,598)	-
INCREASE IN CASH AND CASH EQUIVALENTS	1,458,942	(34,073)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	379,897	43,857
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,838,839	\$ 9,784
Supplemental cash flow information		
Interest received	\$ 7	\$ 6
Interest paid	3,510	-

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

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended May 31, 2020 and 2019
(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Cariboo Rose Resources Ltd. (the “Company”) is incorporated in the Province of British Columbia. Its principal business activities are the acquisition and exploration of gold, copper and other precious and base metal properties in Canada. The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flows.

The Company’s shares are listed for trading on the TSX-Venture Exchange (the “Exchange”) under the symbol CRB. Its registered office is located at 110-325 Howe Street, Vancouver, British Columbia V6C 1Z7.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations. Such adjustments and reclassifications could be material.

2. BASIS OF PREPARATION

Summary of Significant Accounting Policies

The Company prepares its interim financial statements in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board, including International Accounting Standard 34 – Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended February 29, 2020.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended February 28, 2021, as issued and outstanding on September 11, 2020, the date the Board of Directors approved these financial statements.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss or fair value through other comprehensive income that have been measured at fair value and are presented in Canadian dollars, the Company’s reporting currency and the functional currency of all of its operations.

Accounting estimates and judgments

The preparation of these consolidated financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these consolidated financial statements. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, judgments and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended May 31, 2020 and 2019
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Accounting estimates and judgments (continued)

Critical accounting estimates are estimates, judgments and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the recoverability of accounts receivable, determination of realizable amounts of deferred tax assets and liabilities, impairment of the carrying value of non-financial assets, estimation of provisions, measurement of the fair value of tax benefits sold and measurement of equity instruments and share-based compensation.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from equipment, the classification of financial instruments, and the recognition of deferred tax assets and liabilities.

3. INVESTMENTS

The Company has the following investments in equity instruments:

	May 31, 2020			February 29, 2020		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
Consolidated Woodjam Copper Corp.	49,772	\$ 19,478	\$ 1,742	49,772	\$ 19,478	\$ 1,742
Western Copper and Gold Corp	-	-	-	2,305,000	2,287,996	1,522,650
		19,478	1,742		2,307,474	1,524,392
Less: non-current portion		(19,478)	(1,742)		(19,478)	(1,742)
Current portion		\$ -	\$ -		\$ 2,287,996	\$ 1,522,650

The Company has irrevocably designated these investments in equity instruments as measured at FVOCI rather than FVTPL as they are not held for trading and the FVOCI classification is considered more appropriate for these strategic investments. The fair value of these equity investments is based on quoted market prices at the reporting dates. The current portion relates to those investments which the Company is reasonably likely to sell within the next 12 months.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended May 31, 2020 and 2019
(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Acquisition and exploration expenditures incurred on mineral properties for the three months ended May 31, 2020 are as follows:

	<u>Carruthers Pass</u>	<u>Carbonate Hosted Gold</u>	<u>Lightning Strike</u>	<u>Other*</u>	<u>Total</u>
ACQUISITION COSTS					
Balance, beginning of period	100,742	10,895	6,345	26,660	144,642
Incurred during period	-	532	70	-	602
Balance, end of period	100,742	11,427	6,415	26,660	145,244
EXPLORATION EXPENDITURES					
Expenditures for the year:					
Professional fees and field crews	6,504	5,008	1,704	10,172	23,388
Rental of vehicles and equipment	-	-	-	19	19
Transportation and fuel	-	23	-	-	23
Communications	-	-	375	-	375
Other	-	-	-	739	739
	6,504	5,031	2,079	10,930	24,544
Balance, beginning of period	85,379	238,815	106,241	242,984	673,419
Balance, end of period	91,883	243,846	108,320	253,914	697,963
OPTION PROCEEDS					
Balance, beginning of period	(82,274)	(20,000)	-	(101,414)	(203,688)
Disposal of mineral property	-	-	-	(20,000)	(20,000)
Balance, end of period	(82,274)	(20,000)	-	(121,414)	(223,688)
TOTAL	\$ 110,351	\$ 235,273	\$ 114,735	\$ 159,160	\$ 619,519

* Other includes the Pat, Cowtrail, Koster Dam and Coquigold claims.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended May 31, 2020 and 2019
(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition and exploration expenditures incurred on mineral properties for the year ended May 31, 2019 are as follows:

	Carruthers Pass	Canadian Creek	Other*	Total
ACQUISITION COSTS				
Balance, beginning of the period	\$ 100,742	\$ 46,348	\$ 36,745	\$ 183,835
Incurred during the period	-	-	1,273	1,273
Balance, end of the period	100,742	46,348	38,018	185,108
EXPLORATION EXPENDITURES				
Professional fees and field crews	-	4,800	8,400	13,200
Geological	-	-	18	18
Field equipment and rentals	-	-	143	143
Transportation and fuel	-	-	107	107
Food and accommodation	-	-	97	97
Assaying	-	-	476	476
	-	4,800	9,241	14,041
Balance, beginning of the period	76,969	1,814,414	413,783	2,305,166
Balance, end of the period	76,969	1,819,214	423,024	2,319,207
OPTION PROCEEDS				
Balance, beginning of period	(82,274)	(576,132)	(121,414)	(779,820)
Proceeds received during the period	-	-	-	-
Balance, end of period	(82,274)	(576,132)	(121,414)	(779,820)
	\$ 95,437	\$ 1,289,430	\$ 339,628	\$ 1,724,495

* Other includes the Pat, Cowtrail, Koster Dam, Carbonate Hosted Gold, Skookum Cobalt, Coquigold, and Lightning Strike claims.

Skookum Cobalt Project, Fort Steele Mining Division, British Columbia

The Skookum Cobalt Project claims were dropped during the year ended February 29, 2020.

Pat Claims, Cariboo Mining Division, British Columbia
(2 claims covering 1,330 hectares)

The Company owns an undivided 100% interest in the Pat claims and is seeking an option partner to continue exploration.

Carruthers Pass Project, Omineca Mining Division, British Columbia
(8 claims covering 3,250 hectares)

The Company acquired a 100% interest in the 3,250-hectare Carruthers Pass property from Freeport McMoRan Explorations ("Freeport") by completing \$750,000 in exploration expenditures and issuing \$120,000 in shares and cash. Freeport retains a 2.5% net smelter royalty interest, which may be reduced to 1% with a cash payment by the Company of \$1,500,000.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
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(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Cowtrail Property, Cariboo Mining Division, British Columbia
(32 claims covering 4,400 hectares)

In 2011 Dajin Resources Corp. (“Dajin”) earned a 65% interest in the Cowtrail property by completing \$1,000,000 in exploration expenditures, issuing 50,000 shares and paying \$110,000 in cash to the Company. In March 2018 Dajin transferred its interest in the Cowtrail property to Cariboo Rose subject to a requirement to share any third party option proceeds with Dajin on a 50%-50% basis for a period of three years. Other than this requirement Cariboo Rose now owns a 100% interest in the project.

Carbonate Hosted Gold Project, Clinton Mining Division, British Columbia
(6 claims covering 3,302 hectares)

The company owns an undivided 100% interest in the Carbonate Hosted Gold claims. On November 21, 2017 the company entered into an option agreement with a ZP Mining Inc. (“ZP Mining”) whereby ZP Mining could earn a 60% interest in the Carbonate Hosted Gold property by completing \$1.5 million in exploration work and making \$300,000 in payments over a 5.5 year term. The agreement with ZP mining was terminated on October 22, 2018 resulting in Cariboo Rose retaining a 100% interest in the project. On March 23, 2020 the company entered into an agreement with Black Shield Metals Corp. whereby Black Shield may earn a 60% interest in the Carbonate Hosted Gold Project by expending \$1,500,000 in exploration and making option payments of \$300,000 over a 66 month term. Upon earning a 60% interest Black Shield may increase its interest to 70% by making further payments totaling \$500,000 and completing a feasibility study within a further 24 months.

Koster Dam Project, Clinton Mining Division, British Columbia
(10 claims covering 4,535 hectares)

On June 30, 2017, the Company entered into an option agreement with Oakley Ventures Inc. (“Oakley Ventures”), whereby Oakley Ventures can earn a 45% interest in the Koster Dam project by completing \$110,495 in exploration work within 12 months. Oakley can then increase its ownership from 45% to 50% with a payment of \$50,000.

.Coquigold Project, Nicola Mining Division, British Columbia,
(12 claims covering 1,497 hectares)

The company has staked three claim blocks, subsequently consolidated into two blocks, adjacent to the Coquihalla Highway in response to the recent success being achieved at the Shovelnose gold project owned and operated by Westhaven Ventures Inc. The claims have attributes identified by the BC Geological survey which suggest they are targets for epithermal precious metal mineralization.

Lightning Strike Project, Clinton Mining Division, British Columbia
(14 claims covering 3,735 hectares)

The Company has staked 14 claims covering 3,735 hectares, 60 km northeast of the community of 100 mile house, BC.

Project Deposits

\$10,500 in term deposits, bearing interest at rates ranging from 0.60% to 1.25% and maturing between July 14, 2020 and February 20, 2021, are provided as reclamation bonds for the above mineral properties. The term deposits will continue to be renewed to comply with the requirements of the BC Ministry of Energy, Mines and Petroleum Resources (the “Ministry”). As these reclamation bonds are required to be in place while the Company has ownership of these mineral properties, they are recorded as non-current assets.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended May 31, 2020 and 2019
(Expressed in Canadian dollars)

5. RIGHT-OF-USE ASSET AND LEASE OBLIGATIONS

The Company leases office space under a lease agreement which expires on June 30, 2025. The Company's right-of-use asset and estimated future lease payments over the remaining term of the lease are:

Right-of-use Asset	Cost	Accumulated Depreciation	Carrying Amount
Balance, February 28, 2019	\$ -	\$ -	\$ -
Additions	192,042	29,244	162,798
Balance February 29, 2020	\$ 192,042	\$ 29,244	\$ 162,798
Additions	-	7,630	7,630
Balance May 31, 2020	\$ 192,042	\$ 36,874	\$ 155,168

Lease Obligations	
2020	\$ 29,263
2021 to 2025	159,878
Subsequent to 2025	13,688
Total future payments	202,829
Less: interest	(37,582)
Lease obligations	165,247
Less: current portion	(25,425)
Lease obligations – long term	\$ 139,822

6. SHARE CAPITAL

Authorized

Unlimited common shares without par value
Unlimited preferred shares without par value

Private Placement

On January 15, 2020, the Company completed a private placement consisting of 1,665,000 flow-through common shares at a price of \$0.05 per share for total consideration \$83,250. The estimated fair value of the tax deductions sold to investors in connection with the issue of flow-through shares was \$28,255 was recorded as a liability as at May 31, 2020 and will be recognized as other income when the related expenditures have been incurred and their tax deductibility transferred to the investors.

Share Purchase Options

The Company issues options to directors, officers, and employees of the Company, and persons who provide ongoing services to the Company, under an incentive stock option plan. Share option terms issued under this stock option plan are at the discretion of the Board of Directors and generally include contractual lives of five years and exercise prices based on the fair market value of the common shares at the grant date. Options will normally vest entirely on the date of grant for directors, officers and employees and at the rate of 25% on the date of the grant and 25% every three months thereafter for consultants.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended May 31, 2020 and 2019
(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

Share Purchase Options (continued)

A summary of changes in common share purchase options for the three months ended May 31, 2020 and 2019 is:

	Three months ended May 31, 2020		Three months ended May 31, 2019	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the period	3,875,000	\$ 0.09	3,750,000	\$ 0.10
Cancelled	-	-	(400,000)	0.10
Options exercisable, end of the period	3,875,000	\$ 0.09	3,350,000	\$ 0.10

The following common share purchase options are outstanding at May 31, 2020:

Expiry Date	Options Outstanding		Weighted Average Remaining Life (Years)	Options Exercisable	
	Number of shares	Exercise price (\$)		Number of shares	Exercise price (\$)
December 13, 2021	1,675,000	0.10	1.54	1,675,000	0.10
September 26, 2023	300,000	0.05	3.33	300,000	0.05
December 19, 2024	750,000	0.05	4.56	750,000	0.05
August 29, 2026	550,000	0.11	6.25	550,000	0.11
January 17, 2027	100,000	0.20	6.64	100,000	0.20
October 5, 2027	500,000	0.11	7.37	500,000	0.11
	3,875,000	0.09	3.81	3,875,000	0.09

Share Purchase Warrants

There were no common share purchase warrants outstanding at May 31, 2020

7. SEGMENTED DISCLOSURES

The Company operates in one industry segment, the acquisition and exploration of mineral properties, within Canada. Mineral properties and other capital assets are located in Canada.

8. DILUTED INCOME OR LOSS PER SHARE

For the three months ended May 31, 2020, the Company's diluted loss per share is equal to its basic loss per share. Outstanding share purchase options and warrants could potentially dilute basic loss per share in the future but were not included in the calculation of diluted loss per share because they are antidilutive for the three years ended May 31, 2020.

Cariboo Rose Resources Ltd.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended May 31, 2020 and 2019
(Expressed in Canadian dollars)

9. RELATED PARTY DISCLOSURES

Related party transactions are recorded at the exchange amount as agreed to by the parties.

In the normal course of business, the Company will enter into transactions with a related company, Eastfield Resources Ltd. ("Eastfield"), for the use of equipment, services and rental of office space. The Company is related to Eastfield through common key management personnel. During the three months ended May 31, 2020, amounts payable for rent, salaries, telephone, office, consulting, convention and travel costs to Eastfield amounted to \$29,075 (three months ended May 31, 2019 - \$20,629). At May 31, 2020, payable to related parties included \$8,435 (February 29, 2020 - \$11,474) payable to Eastfield.

During the three months ended May 31, 2020, geological services totaling \$18,971 (three months ended May 31, 2019 - \$14,542) were provided to the Company by Mincord Exploration Consultants Ltd. ("Mincord"), a geological service company owned by two directors of the Company. Mincord's relationship with the Company is non-exclusive and without retainer, and Mincord is used on a project by project basis. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, and transportation and mobilization costs. The amounts for geological and exploration services also include payments for services on properties managed by the Company on behalf of joint venturers. At February 29, 2020, payable to related parties included \$6,720 (February 29, 2020 - \$18,357) payable to Mincord.

During the year ended February 29, 2012, the Company transferred reclamation bonds totaling \$12,000, which had been released by the Ministry of Energy, Mines and Petroleum Resources, to Eastfield. This amount remains a receivable from Eastfield at May 31, 2020.

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain risks, which include credit, liquidity, and market risk. The risks related to financial instruments are managed by the senior management of the Company under policies and directions approved by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities and payable to related parties are due within the current operating period. The Company's lease obligations are due as set out in Note 6. The Company manages liquidity risk through the management of its capital structure (Note 11) and financial leverage.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at large Canadian financial institutions. The Company's receivables consist mostly of Goods and Services Tax due from the federal government of Canada and mineral exploration project deposits and tax credit receivable from the Government of British Columbia. As such, the Company considers this risk to be minimal and has not recognized an expected credit loss allowance in these financial instruments. As at February 29, 2020 and February 28, 2019, none of the Company's financial instruments subject to credit risk were past due or impaired.

The Company has determined that the expected credit losses on its accounts receivable and project deposits are not significant and accordingly has not recognized an allowance for expected credit losses as at May 31, 2020 and May 31, 2019.

Cariboo Rose Resources Ltd.
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(Expressed in Canadian dollars)

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk is comprised of two types of risk: interest rate risk, and equity price risk.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk when holding fixed rate short term deposits of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents investments is limited because these investments are generally highly liquid securities with short-term maturities. As at May 31, 2020 and May 31, 2019, the Company considers its exposure to interest rate risk to be minimal.

(ii) Equity Price Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its investment in equity instruments. All of the Company's listed equity investments (Note 4) are common shares of companies listed on the Toronto Stock Exchange and the Toronto Stock Exchange's Venture Exchange and are monitored by management with decisions on sale taken at the board level.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company currently has sufficient capital resources to meet its administrative overhead expenses through its current operating period and it is confident it can raise additional funds to undertake all of its planned business activities. Actual funding requirements may vary from those planned due to a number of factors. Management believes it will be able to raise capital as required in the long term, but recognizes that there will be risks involved that may be beyond their control.

Cariboo Rose Resources Ltd.

Notes to the Condensed Interim Financial Statements

For the Three Months Ended May 31, 2020 and 2019

(Expressed in Canadian dollars)

12. COVID – 19 PANDEMIC

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic. The spread of COVID-19 has created significant volatility in the Canadian and world markets and has the potential to have a significant and far-reaching effect on the Canadian and world economies, interest rates, and other financial measures. The Company will continue to monitor the ongoing developments regarding the COVID-19 pandemic and the potential impact on the Company's financial statements.