MinKap Resources Inc.

(formerly Kapuskasing Gold Corp.)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

For the three and nine month periods ended

February 29, 2020 and February 28, 2019

MINKAP RESOURCES INC.
(formerly Kapuskasing Gold Corp.)
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		February 29, 2020		May 31, 2019
ASSETS				
CURRENT				
Cash	**$**	**222,009**	$	15,079
Marketable securities (Note 4)		**45,000**		35,000
HST and other receivables (Note 3)		**5,791**		7,512
Prepaids and deposits		**1,860**		8,725
Advance under LOI (Note 12)		**50,000**		-
	$	**324,660**	$	66,316
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 6)	**$**	**155,357**	$	136,514
		155,357		136,514
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 7)		**4,257,943**		4,011,443
Shares to be issued (Note 12)		**15,000**		-
Contributed surplus		**1,569,921**		1,476,921
Deficit		**(5,673,561)**		(5,558,562)
		169,303		(70,198)
	$	**324,660**	$	66,316

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
BASIS OF PREPARATION (Note 2)
COMMITMENTS (Note 9)
EVENTS AFTER THE REPORTING PERIOD (Note 12)

Approved and authorized for issue on behalf of the Board on April 16, 2020:

"Signed"	*"Signed"*
Jonathan Armes	Shawn Westcott

The accompanying notes form an integral part of these unaudited interim condensed financial statements

MINKAP RESOURCES INC.
(formerly Kapuskasing Gold Corp.)
UNAUDITED INTERIM CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Three months ended February 29, 2020	Three months ended February 28, 2019	**Nine months ended February 29, 2020**	Nine months ended February 28, 2019
GENERAL AND ADMINISTRATION:				
Consulting (Note 6)	**$ 27,000**	$ 22,550	**$ 79,725**	$ 62,225
Investor relations	**2,325**	2,394	**5,188**	8,993
Office and miscellaneous	**254**	572	**1,692**	2,440
Professional fees	**8,750**	5,480	**29,673**	16,757
Transfer agent and filing fees	**12,940**	7,882	**18,721**	13,966
	(51,269)	(38,878)	**(134,999)**	(104,381)
Unrealized loss on marketable securities (Note 4)	**17,500**	(25,000)	**(12,500)**	(25,000)
Recovery of exploration costs	**32,500**	30,425	**32,500**	30,425
NET LOSS AND COMPREHENSIVE LOSS	**$ (1,269)**	$ (33,453)	**$ (114,999)**	$ (98,956)
LOSS PER COMMON SHARE, basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	**17,629,599**	10,629,608	**14,684,343**	10,196,428

The accompanying notes form an integral part of these unaudited interim condensed financial statements

MINKAP RESOURCES INC.
(formerly Kapuskasing Gold Corp.)
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Nine months ended February 29, 2020	Nine months ended February 28, 2019
OPERATING ACTIVITIES		
Net loss	**$ (114,999)**	$ (98,956)
Items not involving cash:		
Unrealized loss on marketable securities	**12,500**	25,000
Shares received for option payment	**(22,500)**	(30,425)
Changes in non-cash working capital items:		
Prepaid expenses	**6,865**	-
Advance under LOI	**(50,000)**	-
HST and other receivables	**1,721**	(1,306)
Accounts payable and accrued liabilities	**18,843**	29,117
	(147,570)	(76,570)
FINANCING ACTIVITIES		
Issuance of shares/units for cash	**350,000**	80,000
Funds received for shares to be issued	**15,000**	-
Share issue costs	**(10,500)**	(3,663)
	354,500	76,337
INVESTING ACTIVITIES		
Exploration and evaluation assets	**-**	(13,327)
Option payments received	**-**	10,000
	-	(3,327)
CHANGE IN CASH	**206,930**	(3,560)
CASH, BEGINNING OF PERIOD	**15,079**	60,093
CASH, END OF PERIOD	**$ 222,009**	$ 56,533
SUPPLEMENTAL INFORMATION		
Exploration and evaluation assets included in accounts payable and accrued liabilities	**$ -**	$ 12,552
Shares issued for exploration and evaluation assets	**-**	21,000
Shares received for option payment	**22,500**	100,000

The accompanying notes form an integral part of these unaudited interim condensed financial statements

MINKAP RESOURCES INC.
(formerly Kapuskasing Gold Corp.)
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Number of Shares*	Share Capital	Share Subscriptions Received	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
		$	$	$	$	$
Balance, May 31, 2018	9,771,265	3,948,106	-	1,442,921	(5,031,944)	359,083
Issued for exploration and evaluation assets	191,667	21,000	-	-	-	21,000
Issued for cash pursuant to private placements	666,667	80,000	-	-	-	80,000
Warrants issued pursuant to private placement	-	(34,000)	-	34,000	-	-
Share issue costs (cash)	-	(3,663)	-	-	-	(3,663)
Net loss for the period	-	-	-	-	(98,956)	(98,956)
Balance, February 28, 2019	10,629,599	4,011,443	-	1,476,921	(5,130,900)	357,464
Net loss for the period	-	-	-	-	(427,662)	(427,662)
Balance, May 31, 2019	10,629,599	4,011,443	-	1,476,921	(5,558,562)	(70,198)
Issued for cash pursuant to private placements	7,000,000	350,000	15,000	-	-	365,000
Warrants issued pursuant to private placement	-	(93,000)	-	93,000	-	-
Share issue costs (cash)	-	(10,500)	-	-	-	(10,500)
Net loss for the period	-	-	-	-	(114,999)	(114,999)
Balance, February 29, 2020	17,629,599	4,257,943	15,000	1,569,921	(5,673,561)	169,303

* On April 23, 2019, the Company consolidated the common shares in the capital of the Company on a 6 for 1 basis.

The accompanying notes form an integral part of these unaudited interim condensed financial statements

1. NATURE OF BUSINESS AND GOING CONCERN

MinKap Resources Inc. (formerly Kapuskasing Gold Corp.) (the "Company" or "MinKap") was incorporated under the Business Corporations Act in British Columbia on April 26, 2010. The head office, principal address and records office of the Company are located at 133 Richmond Street West, Suite 501 Toronto, ON. M5H 2L3. The Company's registered address is 700 West Georgia Street, 25th Floor, Vancouver, British Columbia, V7Y 1B3.

Effective April 23, 2019 the Company implemented a consolidation of its common shares on the basis of 6 old for 1 new common share of the Company. All share and per share information has been retroactively restated to reflect the consolidation. Additionally, the Company changed its name from Kapuskasing Gold Corp. to MinKap Resources Inc.

GOING CONCERN

The Company's principal business activities include the acquisition and exploration of mineral property assets. At February 29, 2020, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for an exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and future profitable production from the properties or realizing proceeds from their disposition.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The Company's ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and/or meet other commitments (see note 5).

The Company has an accumulated deficit of $5,673,561 as at February 29, 2020 (May 31, 2019 - $5,558,562). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

As at February 29, 2020, the Company's current cash resources are insufficient to cover the expected expenditures in fiscal 2020. The Company's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

During the nine month period ended February 29, 2020 and February 28, 2019, the Company reported a net loss of $114,999 and a net loss of $98,956 respectively. Historically, the Company has recognized recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Company's ability to continue as a going concern.

These unaudited interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed consolidated financial statements were authorized by the Board of Directors of the Company on April 16, 2020.

2.2 Basis of Preparation and Functional and Presentation Currency

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's May 31, 2019 annual financial statements.

The financial statements are presented in Canadian Dollars, which is also the functional currency of the Company.

2.3 Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates and judgments relate to, but are not limited to, the following:

- determination of the flow-through share premium requires the use of estimates when using the residual method while calculating the premium associated with the issuance of flow-through shares compared with common shares;

- calculation of the fair value of share-based payments requires the use of estimates of inputs in the Black-Scholes option pricing valuation model;

- assessment of the carrying value of exploration and evaluation assets at each reporting date to determine whether any indication of impairment exists. When an impairment exists, the calculation of recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, recoverable metals, and operating performance;

- ownership and control of property requires the use of judgment; and

- assessment of the going concern assumption as detailed in Note 1 to the financial statements.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

2.4 Adoption of New and Revised Standards and Interpretations

New Accounting Pronouncements

The Company has adopted the following new standards, along with any consequential amendments, effective June 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 *Leases* ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

There was no impact on the Company's financial statements upon adoption of these standards.

3. HST AND OTHER RECEIVABLES

As at	**February 29, 2020**	May 31, 2019
HST receivable	**$ 5,791**	$ 7,512
Total HST and other receivables	**$ 5,791**	$ 7,512

At February 29, 2020, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 11.

The Company holds no collateral for any receivable amounts outstanding as at February 29, 2020.

4. MARKETABLE SECURITIES

Marketable securities are comprised of 1,000,000 (May 31, 2019 – 500,000) shares of Ubique Minerals Ltd. The Company has classified this investment as fair value through profit and loss investments.

As at February 29, 2020, the shares were valued at their fair value of $45,000 ($0.045 per share) (May 31, 2019 - $35,000 ($0.07 per share)) based on current market price. The impact to the financial statements of this revaluation to market value resulted in an unrealized loss of $12,500 for the nine month period ended February 29, 2020 (2019 – $25,000 loss).

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation asset expenditures during the nine month periods ended February 29, 2020 and February 28, 2019, by nature are detailed as follows:

	2020	2019
	$	$
Acquisition costs	**-**	31,000
Option payments received - shares	**(22,500)**	(69,575)
Option payments received - cash	**(10,000)**	(10,000)
Sampling, technical reports, data compilation and mapping	**-**	3,327
Total	**(32,500)**	(45,248)

5. EXPLORATION AND EVALUATION ASSETS *(continued)*

DANIELS HARBOUR PROPERTY, NEWFOUNDLAND

On May 10, 2017, the Company signed a non-binding Letter of Intent to purchase a 100% undivided interest in 42 claims comprising the Daniels Harbour Property located on the Great Northern Peninsula of Newfoundland. Under the proposed terms, the Company can acquire the property for staged cash payments totaling $60,000 ($25,000 paid), issuing 291,667 common shares (291,667 shares issued) to the vendor, and carrying out $100,000 in exploration by the second anniversary of TSX-V acceptance of the agreement.

The vendor shall retain a 3.0% NSR interest, 2.0% of which can be purchased by the Company for $2,000,000.

On September 10, 2017, the Company entered into an agreement to acquire the Daniels Harbour Property according to the terms of the Letter of Intent.

On September 14, 2017, the Company executed and finalized the formal option agreement to earn a 100% interest in the Daniels Harbour Zinc Property located on the Great Northern Peninsula of Newfoundland, approximately 10 km's north east of the community of Daniels Harbour.

Pursuant to the Agreement, the Company may earn a 100% interest in the Daniels Harbour Property for total consideration of 291,667 shares, $60,000 in cash payments and a work commitment of $100,000 within the 24 months following TSX-V approval. The Vendor shall retain a 3% net smelter royalty ("NSR") interest. The Company retains the option to buy back 2% of the NSR for $2,000,000. In the event the Company delineates a NI 43-101 compliant resource of 5,000,000 tonnes of ore grade zinc (Grade of at least 7% Zn), the vendor will receive a one-time bonus payment equating to $50,000 payable in cash or shares at the election of the Company on the day of which said report is filed on SEDAR.

On February 8, 2018, the Company executed the asset purchase agreement for a 100% interest in the DH Unity Claims consisting of 30 claims (750 hectares) in the Daniels Harbour area, situated nearby the Company's Daniels Harbour Zinc Property. The Company can purchase a 100% interest in the DH Unity Claims Property for total consideration of 50,000 shares (issued), and a $1,950 one time cash payment.

On February 14, 2019, the Company and Ubique Minerals Limited ("Ubique") executed the option agreement which provides for MinKap granting Ubique an option to earn a 55% or greater interest in MinKap's Daniel's Harbour Zinc property in western Newfoundland. The property comprises 42 claim units covering an aggregate area of 1,326 hectares, adjoining Ubique's Daniel's Harbour property to its west and making for a contiguous property area of more than 4,000 hectares.

The option agreement requires Ubique to exercise the option by making the work and payment commitments as follows:

- On the date of signing of the definitive agreement, $10,000 cash (received) and 500,000 shares of Ubique (received);
- Prior to March 9, 2019, a minimum work expenditure of $12,000 and file an assessment report;
- Prior to September 15, 2019, a minimum work expenditure of $100,000 inclusive of the $12,000 above;
- Prior to the 1 year anniversary from the definitive agreement date, $10,000 in cash (received) and an additional 500,000 common shares of Ubique (received);
- Prior to February 28, 2020, make a minimum additional work expenditure of $200,000;
- Prior to the 2 year anniversary from the definitive agreement date issue an additional 200,000 common shares of Ubique;
- Prior to February 28, 2021, a minimum additional work expenditure of $300,000, of which expenditures will include any payments and commitments needed to be made to the underlying vendors of the optioned property;
- Upon Ubique having made the above expenditures and payments; Ubique will have earned a 55% interest in the property. Ubique will be granted the option to earn an additional 15% interest in the property by spending an additional $400,000 on exploration and paying the underlying vendors a cash payment of $40,000 as required by the underlying agreement with the vendors.

Upon Ubique earning either a 55% or 70% interest in the property, the companies will form a joint venture to continue exploration, or MinKap may elect to grant Ubique the right to earn an additional 5% interest in the property for every additional work expenditure of $100,000 to a limit of 95% ownership by Ubique, at which time the agreement provides for MinKap's interest to be converted to a 2% Net Smelter Royalty ("NSR"). Ubique will then have the right to buy back 1.75% of the NSR for $2,000,000. The underlying vendors are entitled to a NSR of 3% of which 2% may be repurchased for $2,000,000. In addition, the underlying vendors are entitled to a bonus payment in the event that the Operator delineates a NI 43-101 compliant resource of a minimum of 5,000,000 tonnes of ore with a grade of at least 7% zinc.

(Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the three and nine month periods ended February 29, 2020 and February 28, 2019, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

Related party	Nature of transactions
Jonathan Armes, President & CEO	Consulting fees
James Fairbairn, former Director	Consulting fees
Marco Guidi, CFO	Consulting fees

Included for the nine month periods ended February 29, 2020 and February 28, 2019 are the following items paid or accrued to key management personnel and/or companies with common directors. The Company has identified its directors and certain senior officers as its key management personnel. Exchange amounts are the amounts agreed upon by the transacting parties.

	2020	2019
Consulting	$ 71,000	$ 60,500
Totals	$ 71,000	$ 60,500

As at February 29, 2020, included in accounts payable and accrued liabilities is $95,000 (May 31, 2019 - $57,000) payable to directors and officers.

7. SHARE CAPITAL

a) Share capital

Authorized

Unlimited common shares without par value.

Issued and outstanding

On April 23, 2019, the Company consolidated the common shares in the capital of the Company on a 6 for 1 basis. All share and per share information has been retroactively restated to reflect the consolidation.

As at February 29, 2020, the issued share capital is comprised of 17,629,599 common shares (May 31, 2019 – 10,629,599):

Fiscal 2020

i. During the nine month period ended February 29, 2020, the Company closed a non-brokered financing of 7,000,000 units of the Company at a price of $0.05 per unit for gross proceeds of $350,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will be exercisable into one common share at $0.10 for a period of 24 months from the closing of the financing.

   A fair value of $93,000 was allocated to the warrants using the Black-Scholes model with the following assumptions: term of 2 years, dividend yield 0%, expected volatility of 100%, and a risk free interest rate of 1.60%.

Fiscal 2019

ii. On October 25, 2018, the Company closed a non-brokered financing of 666,667 units of the Company at a price of $0.12 per unit for gross proceeds of $80,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will be exercisable into one common share at $0.30 for a period of 24 months from the closing of the financing.

   A fair value of $34,000 was allocated to the warrants using the Black-Scholes model with the following assumptions: term of 2 years, dividend yield 0%, expected volatility of 196%, and a risk free interest rate of 2.27%.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

iii. On September 14, 2018, the Company issued 125,000 shares at a value of $0.12 per share ($15,000) pursuant to the Daniels Harbour Property Acquisition Agreement (Note 5).

iv. On September 26, 2018, the Company issued 66,667 shares at a value of $0.09 per share ($6,000) pursuant to the Sterling Property Acquisition Agreement Agreement (Note 5).

b) 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 directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to 5 years from the date of grant, and must comply with the rules of the TSX-V. The stock options vest at the Board's discretion.

As at February 29, 2020, the Company had 866,293 (May 31, 2019 – 196,294) options available for issuance.

(i) A summary of the changes to the Company's issued and outstanding stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2018	**920,833**	**$0.36**
Expired/Cancelled	(54,167)	$0.42
Balance, May 31, 2019	**866,666**	**$0.36**
Expired/Cancelled	(166,667)	$0.60
Balance, February 29, 2020	**699,999**	**$0.30**

(ii) The following table provides additional information about outstanding stock options at February 29, 2020:

Expiry Date	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**No. of Options Currently Exercisable**
July 20, 2021	258,333	1.39	$ 0.30	258,333
October 12, 2022	441,666	2.62	$ 0.30	441,666

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

c) Warrants and finder's warrants

(i) The following warrants were outstanding and exercisable as at February 29, 2020:

Warrants Outstanding	Warrants Exercisable	Exercise Price	Expiry Date
33,333	33,333	$0.30	October 23, 2020
666,667	666,667	$0.30	October 25, 2020
8,333	8,333	$0.30	May 17, 2021
7,000,000	7,000,000	$0.10	September 18, 2021, October 11, 2021
7,708,333	**7,708,333**		

(ii) A summary of the changes to the Company's issued outstanding share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2018	**2,278,888**	**$0.57**
Issued	666,667	0.30
Expired	(1,036,666)	0.55
Balance, May 31, 2019	**1,908,889**	**$0.49**
Issued	7,000,000	0.10
Expired	(1,200,556)	0.10
Balance, February 29, 2020	**7,708,333**	**$0.12**

8. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted loss per share for the three and nine month periods ended February 29, 2020 and February 28, 2019 was based on the loss attributable to common shareholders of $1,269 and $114,999 respectively (2019 – $33,453 and $98,956 respectively) and the weighted average number of common shares outstanding of 17,629,599 and 14,684,343 respectively (2019 – 10,629,608 and 10,196,428 respectively). None of the outstanding options and warrants had a dilutive impact during the three and nine month periods ended February 29, 2020 and February 28, 2019.

9. COMMITMENTS

The Company is obligated to make certain payments and issue shares as described in Note 5 in connection with the acquisition and continued exploration of its exploration and evaluation assets.

(Expressed in Canadian dollars)

10. MANAGEMENT OF CAPITAL

The Company considers its capital to be all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

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

There were no changes in the Company's approach to capital management during the nine month periods ended February 29, 2020. The Company is not subject to externally imposed capital restrictions.

11. FINANCIAL INSTRUMENTS

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board 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:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions.

Price Risk

The Company holds the common shares of a TSX Venture Exchange traded company. The Company has classified this investment as fair value through profit and loss investments and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions. A 10% increase (decrease) in the share price would increase (decrease) net loss by $4,500 (2019 - $7,500).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 10.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

	<1 year	1 – 3 Years	Total
Accounts payable and accrued liabilities	$ 155,357	-	$ 155,357

11. FINANCIAL INSTRUMENTS (continued)

Foreign Exchange Risk

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Commodity Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Fair Value Measurements

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash and marketable securities is determined based on "Level 1" inputs which consist of quoted prices in active markets for identical assets. As at February 29, 2020, the Company believes that the carrying values of accounts payable and accrued liabilities approximates its fair value because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company's Statements of Financial Position as of February 29, 2020, as follows:

	Level 1	Level 2	Level 3	Total
Cash	$ 222,009	$ -	$ -	$ 222,009
Marketable securities	45,000	-	-	45,000

12. EVENTS AFTER THE REPORTING PERIOD

The Company entered into an arm's-length non-binding letter of intent (the "LOI") dated February 3, 2020 with DG Resource Management Ltd. ("DGRM"). The LOI sets out the terms of a proposed transaction pursuant to which the Company will acquire a 100% undivided interest in the Breccia Gold Property ("Breccia" or the "Property") located in Idaho, USA (the "Proposed Transaction").

Under the terms of the LOI, the Company may acquire a 100% interest in the Property by completing the following over a 4-year period:

- Issuing an aggregate of 7,000,000 common shares (the "Consideration Shares") and 7,000,000 common share purchase warrants (the "Consideration Warrants") over a 2 year period to DGRM;
- C$50,000 due on signing of the LOI;
- C$25,000 due upon receipt of approval from the TSX Venture Exchange (the "Approval Date");
- C$100,000 due on the first anniversary from the Approval Date;
- C$100,000 due on the second anniversary from the Approval Date;
- C$200,000 due on the third anniversary from the Approval Date;
- Issuing to DGRM a 2.5% net smelter return royalty ("NSR") with the Company retaining an option to acquire 1.25% of the NSR for a cash payment of C$2,000,000; and
- The completion of the Offering (as defined below).
- A finders fee is payable on the transaction

The completion of the Proposed Transaction is subject to the execution of a definitive agreement and the receipt of all corporate and regulatory approvals, including that of the TSX Venture Exchange (the "TSXV").

Concurrent Financing

The Company also announces a concurrent non-brokered private placement of up to 10,000,000 units (each, a "Unit") of the Company at a price of $0.075 per Unit for aggregate gross proceeds of up to $750,000 (the "Offering"). Each Unit shall consist of one common share (each, a "Common Share") of the Company and one Common Share purchase warrant (each, a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one additional Common Share at an exercise price of $0.15 for a period of twenty-four (24) months from the date of issuance.

The Proposed Name Change

The Company also intends to change its name in conjunction with the Proposed Transaction to "Ophir Gold Corp." or any such other name that is approved by the board of directors.

Termination of Agreement

On April 14, 2020, the Company announced that the non-binding letter of intent dated February 3, 2020 between the Company and DG Resource Management Ltd. has been terminated by the Company in accordance with the provisions of the LOI. The Company remains open to further negotiation of revised terms with DG in respect of the Breccia Gold Property in response to current market conditions.

The Company also announced that the non-brokered private placement of up to 10,000,000 units of the Company at a price of $0.075 per Unit for aggregate proceeds of up to $750,000 has been terminated and will not proceed as proposed.

COVID-19 Pandemic

Subsequent to the nine month period ended February 29, 2020, the COVID-19 pandemic has caused significant and negative impact to the global financial market. The Company continues to monitor and assess the impact on its business activities. The potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results.