
MinKap Resources Inc.

ANNUAL FINANCIAL STATEMENTS

**For the years ended
May 31, 2020 and 2019**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
MinKap Resources Inc.

Opinion

We have audited the accompanying financial statements of MinKap Resources Inc. (the "Company"), which comprise the statements of financial position as at May 31, 2020 and 2019, and the statements of operations and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$237,471 during the year ended May 31, 2020 and, as of that date, the Company's accumulated deficit was \$5,796,033. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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



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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

September 15, 2020

MINKAP RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	May 31, 2020	May 31, 2019
ASSETS		
CURRENT		
Cash	\$ 209,519	\$ 15,079
Marketable securities (Note 5)	10,000	35,000
HST and other receivables (Note 4)	10,880	7,512
Prepays and deposits	1,063	8,725
	\$ 231,462	\$ 66,316
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	\$ 202,131	\$ 136,514
	202,131	136,514
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 8)	4,255,443	4,011,443
Contributed surplus	1,569,921	1,476,921
Deficit	(5,796,033)	(5,558,562)
	29,331	(70,198)
	\$ 231,462	\$ 66,316

NATURE OF BUSINESS AND GOING CONCERN (Note 1)

BASIS OF PREPARATION (Note 2)

COMMITMENTS (Note 10)

EVENTS AFTER THE REPORTING PERIOD (Note 14)

Approved and authorized for issue on behalf of the Board on September 15, 2020:

“Signed”
Jonathan Armes

“Signed”
Shawn Westcott

The accompanying notes form an integral part of these financial statements

MINKAP RESOURCES INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

For the years ended May 31,	2020	2019
GENERAL AND ADMINISTRATION:		
Consulting	\$ 106,725	\$ 83,850
Investor relations	9,709	16,370
Office and miscellaneous	3,176	5,000
Professional fees	32,584	35,466
Transfer agent and filing fees	20,277	29,670
	(172,471)	(170,356)
Unrealized loss on marketable securities (Note 5)	(47,500)	(65,000)
Recovery of exploration costs (Note 6)	32,500	30,425
Write down – exploration and evaluation assets (Note 6)	-	(321,687)
Write off of advance on letter of intent (Note 6 and 14)	(50,000)	-
NET LOSS AND COMPREHENSIVE LOSS	\$ (237,471)	\$ (526,618)
LOSS PER COMMON SHARE, basic and diluted	\$ (0.02)	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, basic and diluted	15,424,681	10,196,419

The accompanying notes form an integral part of these financial statements

MINKAP RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the years ended May 31,	2020	2019
OPERATING ACTIVITIES		
Net loss	\$ (237,471)	\$ (526,618)
Items not involving cash:		
Write-off of advance of letter of intent	50,000	-
Write down – exploration and evaluation assets	-	321,687
Unrealized loss on marketable securities	47,500	65,000
Recovery of explorations costs	(32,500)	(30,425)
Changes in non-cash working capital items:		
Prepaid expenses	7,662	(8,725)
HST and other receivables	(3,368)	(4,136)
Accounts payable and accrued liabilities	65,617	65,034
	(102,560)	(118,183)
FINANCING ACTIVITIES		
Issuance of shares/units for cash	350,000	80,000
Share issue costs	(13,000)	(3,663)
	337,000	76,337
INVESTING ACTIVITIES		
Advance on letter of intent	(50,000)	(13,168)
Option payments received	10,000	10,000
	(40,000)	(3,168)
CHANGE IN CASH	194,440	(45,014)
CASH, BEGINNING OF YEAR	15,079	60,093
CASH, END OF YEAR	\$ 209,519	\$ 15,079
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
Valuation of warrants issued in private placements	93,000	34,000

The accompanying notes form an integral part of these financial statements

MINKAP RESOURCES INC.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)****(Expressed in Canadian dollars)**

	Number of Shares*	Share Capital	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 year	-	-	-	(526,618)	(526,618)
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	-	-	350,000
Warrants issued pursuant to private placements	-	(93,000)	93,000	-	-
Share issue costs (cash)	-	(13,000)	-	-	(13,000)
Net loss for the year	-	-	-	(237,471)	(237,471)
Balance, May 31, 2020	17,629,599	4,255,443	1,569,921	(5,796,033)	29,331

* 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 financial statements

MINKAP RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

MinKap Resources Inc. (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.

At the end of 2019, a novel strain of coronavirus ("COVID-19") was reported in China. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections around the world. On March 11, 2020, it was labelled a pandemic by the World Health Organization. During the first quarter of 2020, attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. The rapid development and fluidity of the situation precludes any prediction as to the ultimate impact of COVID-19; however, the Company seeks to obtain the best possible information to enable the assessment of the risks involved, and implement appropriate measures to respond. During the year ended May 31, 2020, the Company has taken a number of measures to safeguard the health of its employees and the local communities where it operates.

GOING CONCERN

The Company's principal business activities include the acquisition and exploration of mineral property assets. At May 31, 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 10).

The Company has an accumulated deficit of \$5,796,033 as at May 31, 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 May 31, 2020, the Company's current cash resources are insufficient to cover the expected expenditures in fiscal 2021. 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 year ended May 31, 2020 and 2019, the Company reported a net loss of \$237,471 and a net loss of \$526,618 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 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.

MINKAP RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issuance by the Board of Directors of the Company on September 15, 2020.

2.2 Basis of Preparation and Functional and Presentation Currency

These financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value, and have been prepared using the accrual basis of accounting except for cash flow information, as explained in the accounting policies set out in Note 3.

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 value 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.

MINKAP RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(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 standard, 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 this standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the presentation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

a) Exploration and evaluation assets

i. Pre-license expenditures

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

ii. Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such exploration and evaluation costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. Exploration and evaluation costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and or probable mineral reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, exploration and evaluation assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

The Company has not established any National Instrument ("NI") 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

a) Exploration and evaluation assets (continued)

iii. Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

MINKAP RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditures or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

b) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no restoration, rehabilitation and environmental obligations as at May 31, 2020 and 2019.

c) Cash

Cash in the statements of financial position is comprised of cash held at major financial institutions. The Company's cash is invested in business accounts which are available on demand by the Company.

d) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income/loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

MINKAP RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

e) Share Capital

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components (net of any flow-through share premium), with the fair value attributed to the warrants being recorded as contributed surplus.

f) Flow-through shares

Where a portion of the Company's exploration activities is financed by flow-through share arrangements, under the terms of flow-through share agreements, the tax deductions of the related Canadian exploration expenditures ("CEE") are renounced in favour of the investors. Accordingly, flow-through proceeds are allocated between the offering of the common shares and the premium associated with the sale of tax benefits of the common shares at the date of issuance. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and reversed in the statements of operations and comprehensive loss as a deferred income tax recovery ("other income") as the Company spends the flow-through proceeds.

g) Share-Based payments

Options and stand-alone warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

Options and warrants granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. The Company uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Options and warrants granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

h) Earnings (loss) per share ("EPS")

Basic EPS amounts are calculated by dividing net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS amounts are calculated with consideration given to stock options and warrants, and assumes that any proceeds received on exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted EPS does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) Financial Instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") and at amortized cost. The

MINKAP RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principle and interest on the principle amount outstanding, and it is not designated as FVTPL. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of operations and comprehensive loss in the period in which they arise. The Company's marketable securities, being equity securities of other listed entities, are classified as FVTPL.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company's financial assets are classified as FVTOCI.

i) **Financial Instruments** *(continued)*

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets at amortized cost comprise cash and cash equivalents and receivables.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of operations and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost which include trade and other payables. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured 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 loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at May 31, 2020 and 2019.

MINKAP RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019
(Expressed in Canadian dollars)

4. HST RECEIVABLE

<i>As at</i>	May 31, 2020	May 31, 2019
HST receivable	\$ 10,880	\$ 7,512
Total HST receivable	\$ 10,880	\$ 7,512

At May 31, 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 12.

The Company holds no collateral for any receivable amounts outstanding as at May 31, 2020.

5. 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 May 31, 2020, the shares were valued at their fair value of \$10,000 (\$0.01 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 \$47,500 for the year ended May 31, 2020 (2019 – \$65,000 loss).

6. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation asset expenditures during the years ended May 31, 2020 and 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	-	3,381
Total	(32,500)	(45,194)

LADY POND, KINGS COURT, ALEXIS, HAYES, CAPE CHARLES, INDIAN HEAD, IRON MOUNTAIN, ROSS LAKE, NEWFOUNDLAND AND LABRADOR

On April 3, 2017, the Company entered into a Mineral Property Acquisition Agreement to acquire a 100% interest in eight separate properties located in the province of Newfoundland and Labrador. As consideration for the properties, the Company was required to issue 1,250,000 common shares (issued at a fair value of \$375,000), and make a cash payment of \$5,000 (paid). The vendors shall retain a 3.0% net smelter return royalty ("NSR") interest, or where applicable, a 3.0% net profit return royalty ("NPR"). The Company retains the option to buy back 2.0% of the NSR (or NPR) for \$1,000,000.

The properties are termed the: Lady Pond (Cu, Co, Au, Ag) project, Kings Court (Cu, Co) project, Alexis (Co) project, Cape Charles (Co) project, Hayes (V) project, Indian Head (V) project, Iron Mountain (V) project, and the Ross Lake (V) project.

Management exercised judgment in allocating the total consideration of \$380,000 to the eight properties based on the number of claims acquired for each property.

In addition to the claims acquired under the Mineral Property Acquisition Agreement, the Company acquired through staking a 100% interest in 15 claims that form part of the Lady Pond Project.

As at May 31, 2019, the Company wrote down all costs associated with the properties in the amount of \$225,470.

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6. 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% 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.

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.

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 (paid) 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 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 (met) and file an assessment report;
- Prior to September 15, 2019, a minimum work expenditure of \$100,000 (met) 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 (met);
- 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.

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6. EXPLORATION AND EVALUATION ASSETS *(continued)*

STERLING PROPERTY, NEWFOUNDLAND

On August 21, 2017, the Company entered into an agreement to acquire a 100% undivided interest in 28 claims comprising the Sterling Property located in Newfoundland. Under the terms of the agreement, the Company can acquire the property for staged cash payments totaling \$25,000 (\$5,000 paid), issuing 300,000 common shares (200,000 shares issued) to the vendor, and carrying out \$250,000 in exploration by the fourth 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.

As at May 31, 2019, the Company wrote off all costs associated with the Sterling project in the amount of \$96,217.

BRECCIA PROPERTY, IDAHO

On February 3, 2020, the Company entered into a letter of intent to acquire a 100% undivided interest in 80 claims comprising the Breccia Property located in Idaho, USA. Under the terms of the letter of intent, the Company made an initial, non-refundable cash advance totaling \$50,000 (paid) to the vendor. As required by the letter of intent, the definitive agreement was not reached by March 31, 2020 and therefore, the letter of intent was terminated and the Company wrote-off the \$50,000 cash advance. Subsequent to the year ended, a new letter of intent and definitive agreement have been signed (Note 14).

7. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended May 31, 2020, 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
Marco Guidi, CFO	Consulting fees

Included for the year ended May 31, 2020 and 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	\$ 98,000	\$ 81,500
Totals	\$ 98,000	\$ 81,500

As at May 31, 2020, included in accounts payable and accrued liabilities is \$104,000 (May 31, 2019 - \$57,000) payable to directors and officers.

8. 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 May 31, 2020, the issued share capital is comprised of 17,629,599 common shares (May 31, 2019 – 10,629,599):

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8. SHARE CAPITAL (continued)

Fiscal 2020

- i. During the year ended May 31, 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%.

- 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 6).
- 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 (Note 6).

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 May 31, 2020, the Company had 1,062,960 (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, May 31, 2020	699,999	\$0.30

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8. SHARE CAPITAL (continued)

(ii) The following table provides additional information about outstanding stock options at May 31, 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	1.14	\$ 0.30	258,333
October 12, 2022	441,666	2.37	\$ 0.30	441,666

c) Warrants and finder's warrants

(i) The following warrants were outstanding and exercisable as at May 31, 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
5,000,000	5,000,000	\$0.10	September 18, 2021,
2,000,000	2,000,000	\$0.10	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)	0.60
Balance, May 31, 2020	7,708,333	\$0.12

9. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted loss per share for the years ended May 31, 2020 and 2019 was based on the loss attributable to common shareholders of \$237,471 (2019 – \$526,618) and the weighted average number of common shares outstanding of 15,424,681 (2019 – 10,196,419). None of the outstanding options and warrants had a dilutive impact during the years ended May 31, 2020 and 2019.

10. COMMITMENTS

The Company is obligated to make certain payments and issue shares as described in Note 6 in connection with the acquisition and continued exploration of its exploration and evaluation assets.

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11. 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 its 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 year ended May 31, 2020. The Company is not subject to externally imposed capital restrictions.

12. 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 \$1,000 (2019 - \$3,500).

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 11.

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	\$	202,131	-	\$ 202,131

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12. 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 May 31, 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 May 31, 2020, as follows:

	Level 1	Level 2	Level 3	Total
Cash	\$ 209,519	\$ -	\$ -	\$ 209,519
Marketable securities	10,000	-	-	10,000

13. INCOME TAXES

A reconciliation of income taxes at statutory rates (26.5% for both years presented) with the reported taxes is as follows:

	2020	2019
Loss for the year	\$ (237,471)	\$ (526,618)
Expected income tax expense (recovery)	\$ (63,000)	\$ (140,000)
Change in statutory tax rates and other	-	(53,000)
Permanent differences	6,000	10,000
Share issuance costs	(3,000)	(1,000)
Adjustment to prior years provision versus statutory tax returns	6,000	-
Change in unrecognized deductible temporary differences	54,000	184,000
Total income tax expense (recovery)	\$ -	\$ -

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13. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	2020	2019
Deferred tax assets		
Exploration and evaluation assets	\$ 490,000	\$ 486,000
Share issue costs	3,000	4,000
Marketable securities	15,000	-
Non-capital losses available for future years	688,000	652,000
	1,196,000	1,142,000
Unrecognized deferred tax assets	(1,196,000)	(1,142,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary differences				
Exploration and evaluation assets	\$ 1,851,000	No expiry date	\$ 1,834,000	No expiry date
Share issue costs	10,000	2041 to 2044	17,000	2040 to 2043
Marketable securities	113,000	No expiry date	-	No expiry date
Non-capital losses available for future years	2,595,000	2030 to 2040	2,462,000	2030 to 2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. EVENTS AFTER THE REPORTING PERIOD

On September 14, 2020, the Company received final approval from the TSX Venture Exchange in respect of the proposed acquisition from Canarc Resource Corp. ("Canarc) of the Breccia Gold property (the "Breccia Gold Property") and the contiguous Lightning Tree property (the "Lightning Tree Property" and together with the Breccia Gold Property, the "Properties"), both of which are located in Lemhi County, Idaho, USA (the "Transaction").

Lightning Tree Property Agreement with Canarc

Under the terms of the definitive agreement, the Company has an option to acquire a 100% undivided interest in the Lightning Tree Property from Canarc by completing the following:

- Issuing an aggregate of 2,500,000 common shares and 2,500,000 common share purchase warrants over a 2 year period to Canarc as follows:
 - 1,250,000 common shares and 1,250,000 warrants exercisable at \$0.095 for a period of 3 years, within 5 days of approval date
 - 1,250,000 common shares and 1,250,000 warrants exercisable at a 20 day volume weighted average price for a period of 3 years, within 12 months of approval date
- Total cash consideration of \$137,500 payable as follows:
 - \$12,500 due on the Approval Date (not paid);
 - \$25,000 due on the first anniversary from the Approval Date;
 - \$50,000 due on the second anniversary from the Approval Date;
 - \$50,000 due on the third anniversary from the Approval Date;
- Spend an aggregate \$2,000,000 in exploration expenditures over three (3) years, commencing on the date MinKap receives an exploration drill permit for the Property (the "Permit Date");
- Issuing to Canarc a 2.5% net smelter return royalty ("Canarc NSR") in respect of the Property, subject to the Company retaining an option to acquire 1% of the Canarc NSR for a cash payment of \$1,000,000;
- File, on the Company's SEDAR issuer profile, a mineral resource estimate in compliance with NI 43-101 on the Property within 3 years of the Permit Date.

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14. EVENTS AFTER THE REPORTING PERIOD *(continued)*

Breccia Property Agreement with DGRM

Under the terms of the definitive agreement, the Company has an option to acquire a 100% undivided interest in the Breccia Property from DGRM by completing the following:

- Issuing an aggregate of 2,500,000 common shares and 2,500,000 common share purchase warrants over a 2 year period to DGRM as follows:
 - o 1,250,000 common shares and 1,250,000 warrants exercisable at \$0.095 for a period of 3 years, within 5 days of approval date
 - o 1,250,000 common shares and 1,250,000 warrants exercisable at a 20 day volume weighted average price for a period of 3 years, within 12 months of approval date
- Total cash consideration of \$137,500 payable as follows:
 - o \$12,500 due on the Approval Date (not paid);
 - o \$25,000 due on the first anniversary from the Approval Date;
 - o \$50,000 due on the second anniversary from the Approval Date;
 - o \$50,000 due on the third anniversary from the Approval Date;
- Spend an aggregate \$2,000,000 in exploration expenditures over three (3) years, commencing on the date MinKap receives an exploration drill permit for the Property (the "Permit Date");
- Issuing to DGRM a 2.5% net smelter return royalty ("DGRM NSR") subject to the Company retaining an option to acquire 1% of the DGRM NSR for a cash payment of \$1,000,000;
- File, on the Company's SEDAR issuer profile, a mineral resource estimate in compliance with NI 43-101 on the Property within 3 years of the Permit Date.

Pursuant to the Purchase Agreement, MinKap shall, prior to the date (the "Expiry Date") that is thirty-six (36) months from the date on which MinKap receives an exploration drill permit in respect of the Properties (the "Permit Date"), incur aggregate exploration expenditures of at least \$4,000,000 (the "Expenditure Commitment") in connection with the Properties (being the aggregate of incurring at least \$2,000,00 with respect to each of the Lightning Tree Property and the Breccia Gold Property, respectively), provided that not less than \$4,000,000 of such Expenditure Commitment shall be incurred in connection with the Property prior to the Expiry Date, such Expenditure Commitment to be made as follows:

- Cumulative Exploration Expenditures of at least \$300,000 within one (1) year from the Permit Date (with 50% of such amount to be spent of each of the Breccia Gold Property and the Lightning Tree Property);
- cumulative Exploration Expenditures of at least \$2,000,000 within two (2) years from the Permit Date (with 50% of such amount to be spent of each of the Breccia Gold Property and the Lightning Tree Property); and
- cumulative exploration expenditures of at least \$4,000,000 within three (3) years from the Permit Date (with 50% of such amount to be spent of each of the Breccia Gold Property and the Lightning Tree Property);

Pursuant to the definitive agreement, MinKap has also agreed to grant to DGRM and Canarc, together, a one-time bonus payment (the "Bonus Payment") of \$1.00 per ounce of gold or gold equivalent, up to a maximum of \$1,000,000 upon the SEDAR filing of a NI 43-101 compliant resource of 1,000,000 ounces of gold or gold equivalent. The Bonus Payment will be payable to DGRM and CANARC on a pro rata basis based on the number of ounces of gold or gold equivalent from each of their respective claims relative to the 1,000,000 ounces as defined in the NI 43-101 compliant technical report to be prepared in respect of the Property.

The Company has agreed to pay a certain eligible third party a finder's fee in connection with the Transaction as consideration for introducing the Company to the respective Vendors, payable through the issuance of an aggregate of 250,000 common shares in the capital of the Company.

Concurrent Financing

The Company has been granted an extension with respect to the completion of the previously announced 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"). The Offering is expected to close on or before September 30, 2020. The closing of the Offering is subject to receipt of all necessary regulatory and other approvals, including the final approval of the TSXV. The Company may pay certain eligible persons a finder's fee in connection with the Offering.