Niocan inc.

NIOBIUM / CANADA

Financial Statements

For the years ended

December 31, 2019 and 2018

NIOCAN INC.
MANAGEMENT'S REPORT

Management's responsibility for financial reporting

The accompanying financial statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The management is responsible for the preparation, integrity and objectivity of the financial statements and other financial information presented in this Report. Other information included in these financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

A system of administrative, internal accounting and disclosure controls have been developed and are maintained by management to provide reasonable assurance that assets are safeguarded, and that financial information is accurate and reliable.

(signed) *Hubert Marleau*
Hubert Marleau, President and CEO

(signed) *Bruno Dumais*
Bruno Dumais, CPA, CA, Chief Financial Officer

NIOCAN INC.
Statements of Financial Position
As at December 31, 2019 and 2018
(in Canadian dollars)

	Note	2019	2018
Assets		**$**	$
Current assets			
Cash and cash equivalents		**28,895**	81,039
Sales tax receivable		**3,333**	1,103
Prepaid expenses	**4**	**30,625**	35,228
Total current assets		**62,853**	117,370
Non-current assets			
Prepaid expenses	**4**	**601**	16,643
Land		**506,887**	506,887
Total non-current assets		**507,488**	523,530
Total assets		**570,341**	640,900
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**5**	**809,421**	576,077
Debentures	**6**	**2,270,000**	2,120,000
Total current liabilities		**3,079,421**	2,696,077
Equity (Deficiency)			
Share capital	**8**	**15,352,101**	15,352,101
Contributed surplus		**1,247,400**	1,247,400
Warrants	**9**	**231,000**	231,000
Deficit		**(19,339,581)**	(18,885,678)
Total equity (deficiency)		**(2,509,080)**	(2,055,177)
Total liabilities and equity (deficiency)		**570,341**	640,900
Going concern	**1**		
Income and mining taxes	**7**		
Subsequent events	**15**		

The notes are an integral part of these financial statements.

On behalf of the Board:
(signed) Hubert Marleau, Director

(signed) Guy Charette, Director

NIOCAN INC.
Statements of Loss and Comprehensive Loss
For the years ended December 31, 2019 and 2018
(in Canadian dollars, unless otherwise stated)

	Note	2019	2018
		$	$
Revenues		**11,150**	10,800
Expenses			
Professional fees		**53,050**	43,362
Office and administration		**66,462**	65,139
Directors' fees		**32,527**	32,520
Mining rights		**27,652**	97,700
Stock exchange, authorities and shareholders relations		**20,152**	22,403
Rent		**7,595**	5,099
Taxes and permits		**5,927**	10,414
Travel and business development		**13,173**	787
Insurance		**14,794**	17,380
Telecommunication & website		**2,972**	2,957
Bank charges		**404**	394
Total expenses		**244,708**	298,155
Net loss before net finance expenses		**(233,558)**	(287,355)
Net finance expense	**6,13**	**220,345**	201,347
Net loss and comprehensive loss for the period		**(453,903)**	(488,702)
Basic and diluted net loss per outstanding common share			
Net loss	**10**	**(0,02)**	(0,02)
Weighted average number of outstanding common shares	**10**	**25,979,868**	25,979,868

The notes are an integral part of these financial statements.

NIOCAN INC.

Statements of Changes in Shareholders' Equity
For years ended December 31, 2019 and 2018
(in Canadian dollars, unless otherwise stated)

	Number of shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total
	#	$	$	$	$	$
Balance at December 31, 2017	25,979,868	15,352,101	1,247,400	231,000	(18,396,976)	(1,566,475)
Net loss and comprehensive loss	—	—	—	—	(488,702)	(488,702)
Balance at December 31, 2018	25,979,868	15,352,101	1,247,400	231,000	(18,885,678)	(2,055,177)
Balance at December 31, 2018	**25,979,868**	**15,352,101**	**1,247,400**	**231,000**	**(18,885,678)**	**(2,055,177)**
Net loss and comprehensive loss	**—**	**—**	**—**	**—**	**(453,903)**	**(453,903)**
Balance at December 31, 2019	**25,979,868**	**15,352,101**	**1,247,400**	**231,000**	**(19,339,581)**	**(2,509,080)**

The notes are an integral part of these financial statements.

NIOCAN INC.
Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(in Canadian dollars, unless otherwise stated)

	Note	2019	2018
		$	$
Cash flows from operating activities:			
Net loss		**(453,903)**	(488,702)
Changes in non-cash working capital items		**251,759**	277,651
		(202,144)	(211,051)
Cash flows from financing activities:			
Debenture issuance	6	**150,000**	150,000
		150,000	150,000
Net decrease in cash		**(52,144)**	(61,051)
Cash and cash equivalents at beginning		**81,039**	142,090
Cash and cash equivalents at the end		**28,895**	81,039

The notes are an integral part of these financial statements.

1. Reporting entity and going concern

Niocan Inc. (the "Company") is domiciled in Canada. The address of the Company's registered office is 1, Place Ville-Marie, Suite 1670, Montréal, Québec. The Company, incorporated under the Québec *Companies Act* on August 29, 1995, holds a niobium property in Oka, Québec and exploration properties in the province of Québec. The Company is a publicly traded company listed on the TSX Venture Exchange (the "TSX-V") under the symbol "NIO".

The Company is in a development stage and has mineral exploration and development properties in the province of Québec. The Company does not capitalize the exploration and evaluation expenses. The Oka mining property consists of mining rights comprised of one mining lease and 49 claims covering 2,281 acres and the Great Whale property consists of surface and mining rights covering 24,883 acres on the Hudson Bay territory. Substantially, all the Company's efforts are currently devoted to financing, developing and obtaining permits for its niobium property in Oka.

Financial statements have been prepared on a going concern basis which supposed that the Company will pursue its activities in a foreseeable future and will be able to realize its assets or discharge its obligations in the ordinary course of operations. The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The Company does not have any revenues coming from its operations that would enable the Company to discharge its obligations in the ordinary course of its operations.

With respect to the niobium property in Oka, the Company has determined in 1999 that the property contains ore resources which provide a conceptual indication of the potential of the property. The Company's application is under study with the Québec Ministry of Sustainable Development, Environment and Parks ("MDDEP") and the community of Oka to obtain all permits, certificates and other authorizations to allow the Company to operate the niobium property. Management is currently working to obtain all the required permits and authorization to develop the Oka property.

The $2.27 million debentures are maturing on April 30, 2020 (subsequently extended until October 31, 2020 - see note 15) and are secured by all the property and assets of the Company. Management is currently negotiating with the debentures holders to renew or convert the debentures at the best interest of the Company. If no agreements are reached before April 30, 2020 (subsequently extended until October 31, 2020 - see note 15), the debentures holders may exercise their rights.

The ability of the Company to meet its commitments as they become payable, including the acquisitions of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in the ordinary course of operations.

Although the Company has taken steps to verify title to mineral properties 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 and non-compliance with regulatory requirements.

2. Basis of preparation

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'').

The financial statements were authorized for issue by the Board of Directors on April 29, 2020.

Basis of measurement
The financial statements have been prepared on the historical cost basis, except for the warrants associated with the Debenture (note 6), which are measured at fair value through profit or loss.

Functional and presentation currency
These financial statements are presented in Canadian dollars, unless otherwise stated, which the Company's functional currency is.

Use of estimates and judgements
The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include, but are not limited to:

Going concern
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (see note 15).

Debentures
The assessment of the Company's carrying value of all assets if no agreements are reached with the debenture holders before April 30, 2020 (see note 15).

3. Significant accounting policies

The accounting policies set out below were applied consistently to all years presented in these financial statements.

a) Cash and Cash Equivalents:
Cash and cash equivalents include cash on hand, deposits with banks and other highly liquid short-term investments with original maturities of three months or less.

b) Refundable credit on mining duties and refundable tax credit related to resources:
The Company is eligible for a refundable credit on mining duties under the Québec Mining Duties Act. This refundable credit on mining duties is equal to 16% on 50% of the eligible expenses. The accounting treatment for refundable credit on mining duties depends on

management's intention to go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, Income Taxes, which generates a deferred tax liability and deferred tax expense simultaneously, since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation expenses. Currently, it is management's intention to have the Company become a producer in the future, as such, credits on mining duties are recorded in compliance with IAS 12, Income Taxes.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources is recorded as a government grant against exploration and evaluation expenses.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the credits. They will be recognized in profit or loss statement upon recognition.

c) Land:

Land is recognized at cost. The carrying amount is reviewed at least at each financial year-end. Gains or losses arising on the disposal of the land is determined as the difference between the disposal proceeds and the carrying amount of the assets and is recognized in the statement of comprehensive loss.

When the land is no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts and the difference is immediately recognized in the statement of earnings (loss).

d) Mining properties and exploration and evaluation expenses:

Mining properties and exploration and evaluation expenses include mining properties and other exploration and evaluation costs. Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for, mine, extract and sell all minerals from such claims. Costs incurred include appropriate technical and administrative overheads.

All exploration and evaluation costs are expensed as incurred.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops expensing exploration and evaluation costs for that area and record the amounts either as tangible or intangible mining assets under development according to the nature of the assets.

e) Provisions:

A provision is recognized if, because of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as net finance expenses.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

f) Deferred Income Tax and Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Warrants

The Company accounts for warrants using the fair value method. Under this method, the value of warrants is measured at fair value at the grant date using the Black-Scholes option pricing model, using management's assumptions and recorded as share capital when the warrants are exercised.

Warrants that are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity.

Warrants that *include* a contractual obligation to deliver cash or do not meet the fixed requirements of IAS 32 are classified as financial liabilities.

h) Contributed Surplus:

Contributed surplus is used to record the accumulated fair value of stock options recognized as share-based payments. Contributed Surplus is increased by the fair value of these items on vesting and is reduced by the corresponding amounts when options are exercised.

i) Leases:

Leases contracts which contain the legal form of a lease are classified as either finance or operating leases. Finance leases represent leases that transfer substantially all of the risks and rewards of ownership of the leased asset. To assess whether a contract transfer substantially all the risks and rewards of ownership of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset if not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset it used.

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measure based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when these is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, of if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less than $8,000). The lease payments associated with these leases are classified as operating lease and are recognized as an expense on a straight-line basis over the lease term.

j) Net finance costs:

Net finance costs comprise interest income on funds invested, interest expense using the effective interest method, and changes in the fair value of the warrants associated with the Debenture.

k) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an employee expense, with a corresponding increase in contributed surplus, over the year that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

l) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

m) Financial instruments:

Classification and measurement
IFRS 9 presents a new approach to the classification and measurement of financial assets that considers the business model for managing assets and the characteristics of the related cash flows. Financial assets are classified and valued according to three categories: at amortized cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured according to two categories either at amortized cost or at FVTPL.

In accordance with IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falling within the scope of the standard are not separated, but the hybrid financial instrument as a whole is valued for the purposes of ranking.

The following table provides a summary of the impact of the adoption of IFRS 9 on the classification. The adoption of the new classification requirements under IFRS 9 has not resulted in changes in the measurement or carrying amount of financial assets and liabilities.

Financial Instrument	Classification - IAS 39	Classification - IFRS 9
Cash and cash equivalent	Loans and receivables	Amortized costs
Accounts payable and accrued liabilities	Loans and receivables	Amortized costs
Debentures	Loans and receivables	Amortized costs

After their initial recognition, the financial assets are not reclassified, unless the Company detects a change in the economic model that it follows for the management of financial assets and that it reassesses the classification of its financial assets.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument in question. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has substantially transferred all of the risks and rewards of ownership. A financial liability is derecognized in the event of extinction, termination, cancellation or expiration.

Financial assets and liabilities are offset and the net balance is presented in the statement of financial position when there is a legally enforceable right to offset the amounts recognized and an intention either to settle on a net basis or to realize the asset and settle liabilities simultaneously.

At the time of initial recognition, the Company classifies its financial instruments according to the following categories, depending on the purposes for which the instruments were acquired:

Financial assets and liabilities designated at fair value through profit or loss (FVTPL)

Financial instruments in this category include assets voluntarily classified in this category and are recognised initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statement of income (loss) and comprehensive income (loss).

<u>Financial liabilities at amortized cost</u>
Financial liabilities are initially measured at fair value net of transaction costs. The financial liabilities are then measured at amortized cost using the effective interest method, unless they

are accompanied by an embedded derivative. In such cases, the Company designates the entire hybrid instrument as at fair value through profit or loss.

The financial liabilities are classified as current contract if the payment is redeemable within 12 months. If not, they are considered as non-current liabilities.
The Company has classified its financial instruments as follows:

Category	Financial instruments
At amortized cost	Cash and cash equivalents
	Accounts payable and accrued liabilities
	Debentures

Impairment of financial assets
At each reporting date of the statement of financial position, the Company assesses whether there is objective evidence that a financial asset, except for those at fair value through profit or loss, is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated.

If such evidence exists, the Company recognizes an impairment loss, as follows:

Amortized cost
Impairment loss is the difference between the amortized cost of the loan or receivable and the present value of discounted future cash flows estimated at the original instrument's effective interest rate. The carrying amount of the financial asset is reduced by this amount either directly or through the use of a reserve account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the impairment loss decreases and it can be related objectively to an event occurring after the impairment devaluation.

n) *Impairment of non-financial assets:*
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, an asset or a cash-generating unit are reviewed for impairment. In addition, when technical feasibility and commercial viability of extracting a mineral resource are proven, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

An impairment loss is recognized in net income (loss) for the amount by which the asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

The impairment loss reduces the asset or is allocated pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset or cash generating unit's recoverable amount exceeds its carrying amount.

o) *Adoption of new accounting standards:*

The Company has adopted the following new standard and amendment to standards and interpretations, with a date of initial application of January 1, 2019 and have been applied in preparing these financial statements:

IFRS 9, Financial Instruments ("IFRS 9")

The Company adopted the requirements of IFRS 9 Financial Instruments for the first time, with an initial application date of January 1, 2019. In accordance with the transitional provisions of IFRS 9, financial assets and liabilities held on January 1st, 2019 have been reclassified retrospectively with adjustment to previous periods, based on the new classification requirements considering the business model under which they were held on January 1st, 2019.

The adoption of these amendments did not have a significant impact on the financial statements.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17"), and related interpretations.

The Company adopted IFRS 16, effective January 1, 2019, using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17, Leases ("IAS 17").

The adoption of these amendments did not have a significant impact on the financial statements.

IAS 12 – Income taxes

On January 19, 2016, the IASB published and amendment to IAS-12 "Income Taxes". The amendments to this standard relate to the recognition of deferred tax assets and liabilities, with the latter also being subject to a 'probable profits' test. The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application being permitted. The adoption of these amendments did not have a significant impact on the financial statements.

p) Future accounting standards:

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2020 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

IAS 1 – Presentation of Financial Statements
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments make minor changes to the definition of the term "material" and align the definition across all IFRS Standards. Materiality is used in making judgments related to the preparation of financial statements. The amendments are effective January 1, 2020 with earlier adoption permitted. The Company is assessing the impact of these amendments on its financial statements.

(in Canadian dollars, unless otherwise stated)

4. Prepaid expenses

Prepaid expenses consist mostly of payment of rights on mining properties.

Oka property:
The Oka mining property consists of surface and mining rights comprised of one mining lease and 49 claims (49 in 2018) covering 2,281 acres (2,350 in 2018).

Great Whale property:
The Company owns surface and mining rights for the iron property of Great Whale comprising 224 claims (235 in 2018) covering 24,883 acres (26,000 in 2018) on the Hudson Bay territory.

5. Accounts payable and accrued liabilities

	2019	2018
	$	$
Accounts payable and accrued liabilities	**66,898**	50,979
Accrued interest	**733,682**	513,340
Payroll benefits payable	**8,841**	11,758
	809,421	576,077

6. Debentures

On February 19, 2013, the Company completed a private placement with Nio-Metals Holdings LLC ("Nio-Metals") pursuant to which Nio-Metals subscribed for a unit comprising of $1,200,000 aggregate principal amount of secured subordinated debentures of the Company (the "Debenture") and 1,000,000 warrants to purchase common shares, representing aggregate gross proceeds of $1,200,000. The Debenture bear interest at an annual rate of 10%, payable quarterly as originally set to mature August 19, 2015 and got extended until April 30, 2020 (subsequently extended until October 31, 2020 - see note 15), subject to the ability of the Company to repay them at any time without penalty. The warrants expired on February 19, 2015. The Debenture is secured by all property and assets of the Company.

Since 2016, the Company amended the debentures to consider various cash injections. The amendments also considered payment of the interest in shares instead of cash, starting in March 31, 2016.

In June 2019, the Company amended the debentures to consider $150,000 cash injection to support the working capital.

(in Canadian dollars, unless otherwise stated)

7. Income and mining taxes

Effective income tax expense differs from income tax expense computed based on the combined federal and provincial income tax rate of 26.6% (2018 – 26.7%) as a result of the following:

	2019	2018
	$	$
Loss before income and mining tax	**(453,903)**	(488,702)
Tax recovery using the Company's domestic tax rate	**(120,738)**	(130,483)
Tax effect of temporary differences and others	**1,092**	9
Current year losses for which no deferred tax asset is recognized	**119,646**	130,474
Deferred income and mining taxes expense	**—**	**—**

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

	2019	2018
	$	$
Non-capital losses carry forwards	**2,160,214**	2,048,692
Tax basis of exploration assets in excess of carrying value	**480,772**	480,772
Tax basis of capital assets in excess of carrying value	**8,053**	8,083
Capital losses carry forwards	**1,023**	1,027
	2,650,062	2,538,574

The non-capital losses expire as follows:

	Federal	Quebec
	$	$
2026	227,582	227,582
2027	328,025	328,025
2028	461,358	461,358
2029	449,845	449,845
2030	430,422	430,422
2031	1,051,711	1,051,711
2032	951,827	951,827
2033	910,315	910,315
2034	737,928	737,928
2035	660,158	660,158
2036	514,841	514,841
2037	460,302	460,302
2038	488,689	488,689
2039	449,795	445,914
	8,122,798	8,118,917

(in Canadian dollars, unless otherwise stated)

The Company also has available unrecognized exploration tax credits of $164,208 (2018 – $164,208), which will expire between 2023 and 2033.

8. Share capital

The number of shares issued and outstanding as at December 31, 2019 was 25,979,868 (2018 – 25,979,868). The Company is authorized to issue an unlimited number of common shares, without par value.

9. Warrants

The number of warrants outstanding as at December 31, 2019 was 3,000,000 (2018 – 3,000,000). During the period, no warrants were issued nor expired.

The weighted average remaining contractual life for the warrants outstanding as at December 31, 2019 was 0.72 year (2018 – 1.72 years).

The weighted average exercisable price for the warrants outstanding as at December 31, 2019 was $0.15 (2018 - $0.15).

10. Net loss per share

The calculation of basic net loss per share at December 31, 2019 was based on the loss attributable to common shareholders which corresponds to the loss for the period of $453,903 (2018 – $488,702), and a weighted average number of common shares of 25,979,868 (2018 – 25,979,868).

The calculation of diluted net loss per share at December 31, 2019 is the same as the basic net loss per share as all options had an anti-dilutive effect (2018 - same).

11. Share-based payments

Under the stock option plan, the Company may grant options to directors, officers and consultants to purchase common shares provided that the aggregate number of shares subject to such option may not exceed 10% of the issued and outstanding common shares at the time of any option grant on a rolling basis. The exercise price of each option is determined by the Board of Directors and is required not to be lower than the discounted market price based on last closing market price of the common shares before the date of the grant of the option. The options vest immediately upon issuance and their life may not exceed 5 years. All options are recorded at fair value when granted.

The plan must receive shareholder and TSX-V approval annually at the Company's annual general meeting of shareholders. No stock options were issued during the year. The number of exercisable stock options outstanding fluctuated as follows:

	As at December 31, 2019		As at December 31, 2018	
	Number of stock options	**Weighted average exercisable price**	Number of stock options	Weighted average exercisable price
	#	**$**	#	$
Balance at beginning	**160,000**	**0.33**	484,000	0.30
Expired	**130,000**	**0.33**	(324,000)	0.28
Balance at the end	**30,000**	**0.32**	160,000	0.33

(in Canadian dollars, unless otherwise stated)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2019:

	Options outstanding		Options exercisable
Exercise price	**Number of options**	**Weighted average remaining contractual**	**Number of options**
$ 0.32	**30,000**	**0.26**	**30,000**

Share-based compensation expense for the year ended December 31, 2019 totaled $ nil (2018 – $ nil).

12. Financial instruments and financial risk management

a) Financial instruments fair value:
The carrying values of cash and cash equivalents,, accounts payable and accrued liabilities and debentures approximate their fair value because of the short-term nature of these items.

	As at December 31, 2019		As at December 31, 2018	
	Carrying value	**Fair value**	Carrying value	Carrying value
	$	**$**	$	$
Financial assets (amortized costs)				
Cash	**28,895**	**28,895**	81,039	81,039
	28,895	**28,895**	81,039	81,039
Financial liabilities (amortized costs)				
Accounts payable and accrued liabilities	**809,421**	**809,421**	576,077	576,077
Debentures	**2,270,000**	**2,270,000**	2,120,000	2,120,000
	3,079,421	**3,079,421**	2,696,077	2,696,077

In determining fair value, the Company uses observable data based on different levels which are defined as follows:

- First level includes quoted prices (unadjusted) in an active market of identical assets or liabilities;
-Second level includes data that are not based on observable inputs other than quoted prices included in the first level; and
- Third level includes data that are not based on observable market data.

The carrying value of cash,, accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments. (Level 1).

The carrying value of debentures is considered to be a reasonable approximation of fair value as they are all past their maturity date. (Level 2).

b) Risks overview:

(in Canadian dollars, unless otherwise stated)

The Company has exposure to the following risks from its use of financial instruments:

i) Credit risk:
Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions. The maximum credit risk is equivalent to the book value.

ii) Liquidity risk:
Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

The following are the contractual maturities of the financial liabilities' amounts:

	0 - 6 months	**7 - 12 months**	**13 - 36 months**
	$	**$**	**$**
Accounts payable and accrued liabilities	**809,421**	—	—
Debentures	**2,270,000**	—	—
Total contractual liabilities	**3,079,421**	—	—

The $2.27 million debentures matured on August 19, 2015 got extended subsequently until April 30, 2020 (then subsequently until October 31, 2020), and are secured by all the property and assets of the Company. Management is currently negotiating with the debentures holders to renew or convert the debentures at the best interest of the Company. If no agreements are reached before April 30, 2020, the debentures holders may exercise their rights.

iii) Interest rate risk:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of variations in market interest rates. The debentures issued by the Company bear fixed-rate interest and expose the Company to the risk of fair value variation resulting from interest rate fluctuations.

A 1% change in the interest rate would have an impact of approximately $20,000 on the Company's cash flow on an annual basis.

(in Canadian dollars, unless otherwise stated)

13. Related party transactions

Key management personnel compensation

Key management personnel correspond to the directors of the Company, including the Chief Executive Officer who is remunerated through a salary agreement.

During the year, the Company incurred the following expenses with key management personnel:

	2019	2018
	$	$
Management fees included in office and administration	**66,462**	65,139
Directors' fees	**32,527**	32,520

The Company has the following amounts owing to related parties:

	2019	2018
	$	$
Debentures - Major shareholder	**2,270,000**	2,120,000
Accrued directors' and management fees	**29,278**	12,255
Accrued interest	**733,682**	513,340

During the year, interest expenses of $220,345 (2018 - $201,347 were incurred on the debentures, of which $ nil were paid (2018 - $ nil).

14. Capital disclosures

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company's capital items are the following:

	2019	2018
	$	$
Cash and cash equivalents	**28,895**	81,039
Debentures	**2,270,000**	2,120,000
Share capital	**15,352,101**	15,352,101

The Company manages its capital structure and adjusts it in accordance with the objectives, as well as considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new debentures, shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last year.

15. Subsequent events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

As at April 29, 2020, the Company is aware of changes in its operations as a result of the COVID-19 crisis. Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the ability to obtain further financing and on the Company's operations as at the date of these financial statements.

In March 2020, the Company received $75,000 from its major shareholder as an advance towards the increase of the debentures. On April 29, 2020, the Company announced that it had amended its $2.27 million secured non-convertible debenture with Nio-Metals Holdings LLC ("Nio-Metals") dated February 19, 2013 to consider the $75,000 cash injection and to extend the maturity date from April 30, 2020 to October 31, 2020, subject to no other condition (the "Amended Secured Debenture"). Except for the maturity date, the other material terms and conditions of the Amended Secured Debenture have remained the same.

16. Comparative figures

Certain figures for 2018 have been reclassified to make their presentation identical to that adopted in 2019.