# STRONGBOW EXPLORATION INC.

# CONSOLIDATED FINANCIAL STATEMENTS

## JANUARY 31, 2020

## (Expressed in Canadian Dollars)

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Strongbow Exploration Inc.

***Opinion***

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 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 Consolidated 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 consolidated 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 consolidated financial statements, which indicates that the Company has sustained substantial losses from operations since inception, has no current source of revenue and is dependent on its ability to obtain additional financing and generate profitable operations in the future. 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 consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

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 Consolidated Financial Statements***

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

In preparing the consolidated 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 Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Catherine Tai.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada | Chartered Professional Accountants

May 21, 2020

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at January 31
(Expressed in Canadian dollars)

| | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 1,305,253 | $ 2,161,772 |
| Marketable securities (Note 5) | 547,721 | 1,168,932 |
| Receivables (Note 6) | 23,414 | 14,676 |
| Deferred financing fees (Note 7) | - | 552,758 |
| Prepaid expenses | 54,702 | 133,165 |
| | 1,931,090 | 4,031,303 |
| **Deposits** | 36,829 | 67,585 |
| **Property, plant and equipment** (Note 8) | 5,966,727 | 4,999,617 |
| **Royalties** (Note 9) | - | 1,500,000 |
| **Exploration and evaluation assets** (Note 10) | 7,928,688 | 7,379,019 |
| | $ 15,863,334 | $ 17,977,524 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 11) | $ 610,288 | $ 270,016 |
| Short-term portion of lease liability (Note 12) | 78,595 | - |
| | 688,883 | 270,016 |
| **Long-term portion of lease liability** (Note 12) | 20,313 | - |
| **Line of credit** (Note 13) | - | 1,475,504 |
| **Debt** (Note 14) | 5,210,765 | 4,525,893 |
| **Royalty option** (Note 14) | 2,886,514 | 2,886,514 |
| | 8,806,475 | 9,157,927 |
| **SHAREHOLDERS' EQUITY** | | |
| Capital stock (Note 15) | 37,271,686 | 37,271,571 |
| Share subscriptions received in advance (Note 23) | 1,175,000 | - |
| Capital contribution (Note 13) | 2,007,665 | 507,665 |
| Share-based payment reserve (Note 15) | 732,930 | 816,274 |
| Foreign currency translation reserve | 149,996 | - |
| Deficit | (34,280,418) | (29,775,913) |
| | 7,056,859 | 8,819,597 |
| | $ 15,863,334 | $ 17,977,524 |

**Nature and Continuance of Operations and Going Concern Assumption** (Note 1)
**Commitments** (Note 19)
**Subsequent Events** (Note 23)

**Approved and authorized on behalf of the Board on May 21, 2020:**

*"D. Grenville Thomas"* Director    *"Richard Williams"* Director

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

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED JANUARY 31
(Expressed in Canadian dollars)

| | 2020 | 2019 |
|---|---|---|
| **EXPENSES** | | |
| Accretion (Notes 13 and 14) | $ 218,408 | $ 483,415 |
| Advertising and promotion | 406,705 | 664,273 |
| Depreciation (Note 8) | 91,400 | 7,542 |
| Finance cost (Note 12) | 4,072 | - |
| Insurance | 78,964 | 52,498 |
| Office, miscellaneous and rent (Note 12 and 20) | 15,073 | 115,503 |
| Professional fees (Note 20) | 241,021 | 371,479 |
| Generative exploration costs | 6,242 | 5,883 |
| Regulatory and filing fees | 14,074 | 22,107 |
| Share-based compensation (Notes 15 and 20) | - | 167,376 |
| Salaries and benefits (Note 20) | 699,746 | 605,996 |
| **Total operating expenses** | (1,775,705) | (2,496,072) |
| Interest income | 8,162 | 27,519 |
| Foreign exchange loss | (23,439) | (63,218) |
| Unrealized gain on marketable securities (Note 5) | 164,344 | 838,753 |
| Realized gain on marketable securities (Note 5) | 30,019 | 2,047,864 |
| Write off of deferred financing fees (Note 7) | (582,617) | - |
| Loss on disposal of property, plant and equipment (Note 8) | - | (28,870) |
| Impairment of royalties (Note 9) | (1,500,000) | - |
| Impairment of exploration and evaluation assets (Note 10) | (879,942) | - |
| **Net income (loss)** | (4,559,178) | 325,976 |
| Foreign currency translation | 149,996 | - |
| **Total comprehensive income (loss) for the year** | $ (4,409,182) | $ 325,976 |
| **Basic earnings (loss) per share** | $ (0.05) | $ 0.00 |
| **Diluted earnings (loss) per share** | $ (0.05) | $ 0.00 |
| **Weighted average number of common shares outstanding (Note 18):** | | |
| **Basic** | 86,768,585 | 83,474,393 |
| **Diluted** | 86,768,585 | 84,856,815 |

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

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31
(Expressed in Canadian dollars)

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (loss) for the year | $ (4,559,178) | $ 325,976 |
| Items not involving cash: | | |
| Accretion | 218,408 | 483,415 |
| Depreciation | 91,400 | 7,542 |
| Share-based compensation | - | 167,376 |
| Finance cost | 4,072 | - |
| Unrealized gain on marketable securities | (164,344) | (838,753) |
| Realized gain on marketable securities | (30,019) | (2,047,864) |
| Write off of deferred financing fees | 582,617 | - |
| Loss on disposal of property, plant and equipment | - | 28,870 |
| Impairment of royalties | 1,500,000 | - |
| Impairment of exploration and evaluation assets | 879,942 | - |
| Foreign exchange loss | 23,439 | - |
| Changes in non-cash working capital items: | | |
| Decrease (increase) in receivables | (11,308) | 143,687 |
| Decrease in prepaid expenses | 81,788 | 564 |
| Increase (decrease) in accounts payable and accrued liabilities | 23,092 | (214,747) |
| Net cash used in operating activities | (1,360,091) | (1,943,934) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment | (18,291) | (3,671,835) |
| Proceeds from the sale of property, plant and equipment | - | 500 |
| Acquisition of exploration and evaluation assets | (1,366,235) | (1,331,355) |
| Decrease (increase) in deposits | - | (38,492) |
| Proceeds from the sale of marketable securities, net | 880,019 | 2,325,514 |
| Acquisition of marketable securities | - | (25,318) |
| Net cash used in investing activities | (504,507) | (2,740,986) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from fundraising received in advance of share issue | 1,175,000 | - |
| Share issue costs | (750) | - |
| Common shares issued – warrant exercise | - | 90,967 |
| Increase in deferred financing fees | (71,458) | (193,203) |
| Lease payments | (85,545) | - |
| Net cash provided by (used in) financing activities | 1,017,247 | (102,236) |
| **Impact on foreign exchange on cash** | (9,168) | - |
| **Change in cash during the year** | (856,519) | (4,787,156) |
| **Cash, beginning of the year** | 2,161,772 | 6,948,928 |
| **Cash, end of the year** | $ 1,305,253 | $ 2,161,772 |
| **Cash paid during the year for interest** | $ - | $ - |
| **Cash paid during the year for income taxes** | $ - | $ - |

**Supplemental disclosure with respect to cash flows** (Note 21)

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

**STRONGBOW EXPLORATION INC.**
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED JANUARY 31
(Expressed in Canadian dollars)

| | Number of shares | Amount | Commitment to issue shares | Capital contribution | Share-based payment reserve | Investment revaluation reserve | Foreign currency translation reserve | Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance at January 31, 2018 | 77,857,088 | $ 35,180,604 | $ 2,000,000 | $ 507,665 | $ 4,868,494 | $ 61,357 | $ - | $ (34,382,842) | $ 8,235,278 |
| Reclassification on the adoption of IFRS 9 | - | - | - | - | - | (61,357) | - | 61,357 | - |
| Common shares issued upon warrant exercise | 454,833 | 90,967 | - | - | - | - | - | - | 90,967 |
| Commitment to issue shares pursuant to property option agreement (Note 10(a)) | 8,456,664 | 2,000,000 | (2,000,000) | - | - | - | - | - | - |
| Share-based compensation | - | - | - | - | 167,376 | - | - | - | 167,376 |
| Reclassification of share-based payment reserve | - | - | - | - | (4,219,596) | - | - | 4,219,596 | - |
| Loss for the year | - | - | - | - | - | - | - | 325,976 | 325,976 |
| **Balance at January 31, 2019** | **86,768,585** | **37,271,571** | **-** | **507,665** | **816,274** | **-** | **-** | **(29,775,913)** | **8,819,597** |
| Foreign currency translation | - | - | - | - | - | - | 149,996 | | 149,996 |
| Commitment to issue shares pursuant to fundraising (Note 23) | - | - | 1,175,000 | - | - | - | - | - | 1,175,000 |
| Share issue costs | - | (28,556) | - | - | - | - | - | - | (28,556) |
| Settlement of line of credit (Note 13) | - | - | - | 1,500,000 | - | - | - | - | 1,500,000 |
| Forfeiture and expiry of stock options and warrants | - | 28,671 | - | - | (83,344) | - | - | 54,673 | - |
| Loss for the year | - | - | - | - | - | - | - | (4,559,178) | (4,559,178) |
| **Balance at January 31, 2020** | **86,768,585** | **$ 37,271,686** | **$ 1,175,000** | **$ 2,007,665** | **$ 732,930** | **$ -** | **$ 149,996** | **$ (34,280,418)** | **$ 7,056,859** |

## 1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Strongbow Exploration Inc. (the "Company" or "Strongbow") exists under the laws of the *Canada Business Corporations Act* ("CBCA"). The Company trades on the TSX Venture Exchange ("TSX-V"), (TSX-V – SBW) and its head office is located at Suite 960 – 789 West Pender Street, Vancouver, BC, Canada V6C 1H2. The Company has two wholly-owned subsidiaries: Strongbow Alaska, Inc. which was incorporated under the laws of Alaska, USA and Strongbow Exploration (UK) Ltd. ("SBW UK"), which was incorporated under the laws of the United Kingdom.

The Company's principal business activity is the acquisition, exploration and future development of exploration and evaluation assets. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the financing necessary to complete the development of its exploration and evaluation assets and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company and further exploration and development of its exploration and evaluation assets is dependent on the Company's ability to obtain additional financing and generate profitable operations in the future. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was inappropriate. These adjustments could be material.

As at January 31, 2020, the Company had current assets of $1,931,090 to settle current liabilities of $688,883. Although the Company has positive working capital of $1,242,207 as at January 31, 2020, the Company may be required to delay discretionary expenditures if additional financing cannot be obtained on reasonable terms. Failure to obtain additional financing when required may result in the loss of some, or all, of the Company's exploration and evaluation assets (Note 10).

## 2. BASIS OF PRESENTATION

### a) Statement of compliance

These consolidated 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 consolidated financial statements have been prepared on a historical basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 21, 2020, the date the Board of Directors approved the statements.

### b) Adoption of new IFRS pronouncements – leases

*Overview of IFRS 16 - Leases*

On February 1, 2019, the Company adopted IFRS 16 - Leases ("IFRS 16"), which is effective for annual periods commencing on or after January 1, 2019. This new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all significant leases with a term of longer than 12 months.

## 2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### b) Adoption of New IFRS Pronouncements – leases - *continued*

*Overview of IFRS 16 – Leases - continued*

The Company has analyzed its contracts to identify whether they are or contain a lease arrangement for the application of IFRS 16. The only substantive lease arrangement in place relates to the Company's office located in Vancouver, Canada that has a lease term expiring on April 30, 2021. The Company has applied the recognition exemptions in IFRS 16 for 'low value' leases and leases that end within 12 months of the date of initial application, and accounts for them as low value and short-term leases, respectively. The Company also has several mineral leases, which are in the process of being extended, but they are all scoped out of IFRS 16.

As the Company advances the South Crofty Tin Project in Cornwall, further lease contracts may be entered into in due course.

*Effects of adoption of IFRS 16*

The Company has adopted IFRS 16 using the modified retrospective application method, where comparatives are not restated under the specific transition provisions in the standard. The reclassifications and adjustments arising from IFRS 16 are therefore applicable from February 1, 2019. Prior to this date, leases were classified as operating leases and payments were charged to profit or loss over the period of the lease.

On adoption of IFRS 16, the Company has recognized a right-of-use asset and a lease liability at the transition date for the lease arrangement noted above for an amount of $187,248. The lease liability was initially measured at the present value of the lease payments, discounted using the Company's estimated incremental borrowing rate, rather than the interest rate implicit in the lease, as that rate could not be readily determined. Each lease payment is allocated between the lease liability and finance cost. The finance cost, or amortization of the discount, is charged to profit or loss using the effective interest method. Lease payments for the interest and principal portion of the lease liability are shown in the consolidated statement of cashflows.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and is included within property, plant and equipment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Since the lease arrangement for the Company's Vancouver office is considered part of corporate activities, depreciation is charged to profit or loss.

Subsequent to the initial measurement of the lease liability, it is remeasured when there is a change in future lease payments arising from a change in payment rates. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

A lease modification is accounted for as a separate lease if there is an increase in the scope of a lease and a corresponding increase in consideration, such as adding the right to use one or more underlying assets in a contract. Otherwise, a lease modification is considered a remeasurement of the lease liability.

### c) Change in functional currency

On February 1, 2019, the functional currency of the UK subsidiaries was changed to the British pound on a prospective basis. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), namely:

- the currency of funds provided to the UK subsidiaries by the Company for their ongoing activities is denominated in British pounds;
- expenditure incurred on exploration and evaluation assets, and property, plant and equipment, the most significant assets recorded in the UK subsidiaries, is denominated in British pounds; and

## 2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

### c) Change in functional currency - *Continued*

- the currency of any substantial fundraising in the UK is with reference to budgets and projections prepared in British pounds.

The accounting policy for the translation of subsidiaries whose functional currency is not the Canadian dollar is set out in Note 3 (c).

### d) New standards not yet adopted

The Company has not yet adopted certain standards, interpretations to existing standards and amendments that have been issued but have an effective date of later than February 1, 2020. All of these updates are not relevant to the Company and are therefore not discussed herein.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Significant accounting estimates and judgments

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

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

Significant areas requiring the use of management judgment and estimates include:

(i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

(ii) Valuation of debt and royalty option - the Company has issued a convertible note which is convertible into a 1.5% net smelter return royalty ("NSR") on all metals and minerals produced from the Company's South Crofty Tin Project. The Company bifurcated the convertible note into debt and a royalty option with the debt portion being the more easily measured value. The debt portion is initially recorded at its fair value using a 14% discount rate based on an estimated number of years to reach mine production. The debt will then be accreted over this estimated term. The remaining balance of the convertible note is attributed to the royalty option. The Company has determined that the royalty option is a non-financial liability.

(iii) Impairment - Management applies significant judgment in assessing each cash-generating unit and assets for the existence of indicators of impairment at the reporting date. Internal and external factors are considered in assessing whether indicators of impairment are present that would necessitate impairment testing. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by management and compared, when applicable, to relevant market consensus views.

(iv) Deferred financing fees - Considerable judgment is required to be exercised on the likely successful completion of equity financing to which deferred financing fees relate. These fees are carried at cost on the consolidated statement of financial position with the likelihood of the related equity financing being reviewed at the reporting date. If the related equity financing is unlikely to complete as contemplated, deferred financing fees are written off to the Company's net income/loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### a) Significant accounting estimates and judgments - *Continued*

(v) Valuation of marketable securities (private shares) – shares which are not traded in an active market are adjusted at the period end to reflect management's estimated fair value. The most reliable indicator of fair value is the most recent third party sale/purchase transaction in the shares, but if this is not available, significant judgement is applied by management in estimating fair value which may involve subjective assessments of results, business plans and other developments of the investee company that are not based on observable market data.

(vi) Functional currency – items included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which an entity operates. For those entities resident in the UK, management has determined the functional currency to be the British pound. Judgement is required to be exercised in determining the functional currency, including assessing the underlying transactions, events and conditions which are relevant to an entity. Management has considered the currency of funds raised from financing activities and in which most expenditure is denominated as being most relevant in reaching its determination for those entities resident in the UK.

### b) Principles of consolidation

These consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

| Name of subsidiary | Place of incorporation | Ownership interest | Principal activity |
|---|---|---|---|
| Strongbow Alaska, Inc. | Alaska, USA | 100% | Exploration and development company |
| Strongbow Exploration (UK) Limited ("SBW UK") | United Kingdom | 100% | Holding company |
| Western United Mines Limited ("WUML") | United Kingdom | 100% subsidiary of SBW UK | Exploration company |
| Cornish Minerals Limited (Bermuda) ("CML") | Bermuda | 100% subsidiary of SBW UK | Holding company for mineral leases |

Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company transactions and balances have been eliminated upon consolidation.

### c) Foreign currency translation

*Presentational and functional currency*

These consolidated financial statements are presented in Canadian dollars.

Items included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which an entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar, and for its UK subsidiaries, the functional currency is the British pound. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21").

*Transactions and balances*

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### c) Foreign currency translation - *Continued*

*Translation of subsidiary results into the presentation currency*

The results and financial position of all the Company's subsidiaries with functional currencies different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale of investment.

### d) Share-based compensation

The Company grants share purchase options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of the options is measured at the grant date, using the Black-Scholes option pricing model. The fair value of the share purchase options considers the terms and conditions upon which the share purchase options were granted. The fair value of the options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest. The share-based payment reserve reflects the fair value of unexpired options outstanding at the period end.

Share-based compensation 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 and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

If vested options or warrants are forfeited, cancelled or are not exercised at the expiry date, the amount previously recognized in share-based compensation is transferred to deficit.

### e) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

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

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### e) Income taxes - *Continued*

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

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities that do not affect accounting or taxable profit; and
- goodwill

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

### f) Income/loss per share

Basic income/loss per share is computed by dividing income/loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted income/loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income/loss per share.

### g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment is comprised of its purchase price and any directly attributable costs in bringing the assets to their working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the assets beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation is provided for annually at the following rates:

| | |
|---|---|
| Computer equipment | 3 years straight line |
| Software | 3 years straight line |
| Furniture & fixtures | 10 years straight line |
| Motor vehicles | 4 years straight line |
| Equipment | 5 years straight line |
| Right-of-use assets | the term of the lease |

Land is not depreciated.

The water treatment plant (in progress) is currently not depreciated. Depreciation will commence once the asset is complete and available for use.

The remaining useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property, plant and equipment are included in profit or loss in the period of retirement or disposal.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### h) Exploration and evaluation assets

Exploration and evaluation assets are capitalized as tangible assets on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. No costs are capitalized until the legal right to explore the property has been obtained. When it is determined that such costs will be recouped through development and exploitation, the capitalized expenditure is first tested for impairment, then transferred to tangible assets and depreciated over the expected productive life of the asset. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

Impairment reviews for deferred exploration and evaluation assets are carried out on a project by project basis, with each project representing a single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one or more of the following circumstances apply:

- Unexpected geological occurrences are identified that render the resource uneconomic;
- Title to the asset is compromised;
- Fluctuations in metal prices render the project uneconomic; and
- Lack of available financing to progress the project.

Where the Company enters into exploration option agreements with third parties, the Company may acquire or dispose of mineral rights and certain benefits attached to those mineral rights. Due to the fact that these options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets when payments are made, or as recoveries when payments are received, either against exploration and evaluation assets or as income within profit or loss depending on the nature of the option agreement.

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to develop its exploration and evaluation assets, the ability to obtain the necessary financing to complete their development and future profitable production.

### i) Royalty interests

Royalty interests in mineral properties include acquired royalty interests in exploration stage properties. In accordance with *IAS 38 Intangible Assets*, the cost of acquired royalty interests in mineral properties is capitalized as intangible assets.

Acquisition costs of royalty interests on exploration stage mineral properties, where there are no estimated reserves, are not amortized. At such time as the associated exploration stage mineral interests are converted to estimated reserves, the cost basis is amortized over the remaining life of the mineral property, using the estimated reserves. The carrying values of exploration stage mineral interests are evaluated for impairment when information becomes available indicating that production will not occur in the future.

### j) Marketable securities

Marketable securities are measured at fair value and consist of shares in public companies listed on the TSX-V and common shares in private companies. Shares which are traded in an active market, such as the TSX-V, are measured at fair value based on quoted closing bid prices at the period end or the closing bid price on the last day the share traded if there were no trades at the period end. The fair value of shares which are not traded in an active market are originally recorded at cost and then adjusted at the period end to reflect management's estimated fair value. Indicators of fair value include recent third party sale/purchase transactions of shares as reported to the Company and the financial condition of the investee company reflecting operational and financial results, business plans and other developments.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### k) Deferred financing fees

Legal fees, professional fees and other expenses related to equity financings are deferred until these financings close, at which time they will be offset against proceeds from the financing to which they relate. Should the financings not close as contemplated, these deferred financing fees will be expensed.

### l) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. 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 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 profit or loss. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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.

### m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalized as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the "probable economic benefits" test and are also rarely debt funded. Any related borrowing costs incurred during this phase are therefore generally recognized in profit or loss in the period they are incurred.

### n) Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbances are caused by the exploration or development of exploration and evaluation assets due to statutory, contractual, constructive or legal obligations. Such costs arising 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

### n) Environmental rehabilitation - *continued*

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

### o) Financial instruments

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL") or amortized cost. The classification depends on the purpose for which the financial assets were acquired. The classification of the Company's financial assets are determined at initial recognition.

*Financial assets at FVTPL*

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

*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.

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 profit or loss.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the 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. 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.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### p) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other compensatory transactions costs are accounted for as share based payments

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities, lease liabilities, debt and a line of credit. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity and have been classified at amortized cost. Cash has been classified at fair value through profit or loss ("FVTPL") and is recorded at fair value consistent with level 1 of the fair value hierarchy. Marketable securities which are publicly traded, have been classified at FVTPL and are recorded at fair value based on the quoted market prices in active markets at the period end, which is consistent with level 1 of the fair value hierarchy; marketable securities that are not publicly traded are recorded at fair value using estimates consistent with level 3 of the fair value hierarchy (inputs are not based on observable market data). Lease liabilities, debt and the line of credit are initially recorded at fair value and subsequently carried at amortized cost.

The Company is exposed to a variety of financial risks by virtue of its activities, including liquidity risk, credit risk, foreign currency risk, interest rate risk, equity market risk and commodity price risk. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance and position. The Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings and asset sales, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration, future development and corporate activities and anticipating investing and financing activities. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration of the Company's properties, and could result in the Company being unable to meet the continued listing requirements of the TSX-V. As at January 31, 2020, the Company had current assets of $1,931,090 to settle current liabilities of $688,883.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash. The Company's receivables consist primarily of sales tax receivables due from the Canadian and UK governments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

*Foreign currency risk*

The Company has its most significant exposure to foreign currency risk through expenditures incurred on its exploration and evaluation assets and property, plant and equipment in the United Kingdom. Most of the Company's expenditure incurred on its exploration and evaluation assets, and property, plant and equipment is in British pounds, therefore the fluctuation of the Canadian dollar in relation to this currency will consequently have an impact on the value of the Company's assets. The Company does not presently invest in foreign denominated currency contracts to mitigate this risk, but will closely monitor this risk depending on the amount and currency of any fundraising for the exploration, evaluation and future development of the South Crofty Tin Project.

For the year ended January 31, 2020, with other variables unchanged, a 5% increase or decrease of the British pound and the US dollar against the Canadian dollar would increase or decrease financial assets and liabilities by approximately $8,000.

*Interest rate risk*

The Company is exposed to interest rate risk to the extent that the future cash flows of a financial instrument fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk is minimal as cash is placed in deposits held with Canadian and British financial institutions that generate modest investment returns and furthermore, the Company has no financial liabilities subject to variable interest rates.

(Expressed in Canadian dollars)

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - *Continued*

*Equity market risk*

The Company is exposed to equity price risk arising from its marketable securities, which are classified as FVTPL. The Company sells its marketable securities as market conditions permit, or as is required to finance the Company's operations from time-to-time.

*Commodity price risk*

The Company is exposed to price risk with respect to commodity prices, particularly tin. The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the market price of commodities. The Company monitors commodity prices in forecasting its cash flow requirements for the funding of its ongoing exploration and corporate activities and estimated development costs in bringing assets into production. The Company does not presently invest in commodity hedges to mitigate this risk.

## 5. MARKETABLE SECURITIES

The Company holds common shares in one TSX-V listed company (January 31, 2019 – two TSX-V listed companies) and in two private mineral exploration companies (January 31, 2019 – two private mineral exploration companies).

| | | | | **January 31, 2020** | | | | January 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| | | Cost | | **Fair market value*** | | Cost | | Fair market value |
| Public company shares | $ | 4,000 | $ | 2,600 | $ | 94,000 | $ | 852,200 |
| Private company shares | | 281,225 | | 545,121 | | 216,779 | | 316,732 |
| | $ | 285,225 | | **$547,721** | $ | 310,779 | $ | 1,168,932 |

*Includes nil (January 31, 2019 – 1,000,000) common shares (fair market value of $850,000 as of January 31, 2019) of Westhaven Ventures Inc. ("Westhaven"), a company related to the Company by virtue of a common director (D. Grenville Thomas).

During the year ended January 31, 2020, the Company acquired common shares of a private company at a value of $64,445 (January 31, 2019 - $92,308), of which $64,445 (January 31, 2019 - $66,990) was recorded as a recovery against exploration and evaluation assets (Note 10).

During the year ended January 31, 2020, the Company received net proceeds of $880,019 (January 31, 2019 - $2,325,514) and recognized a gain of $30,019 (January 31, 2019 - $2,047,864) from the sale of marketable securities, all of which related to the sale of Westhaven shares (January 31, 2019 - $2,046,599).

During the year ended January 31, 2020, the Company recorded an unrealized gain of $164,344 (January 31, 2019 – $838,753) associated with the change in fair value of marketable securities.

(Expressed in Canadian dollars)

## 6. RECEIVABLES

| | | **January 31, 2020** | | January 31, 2019 |
|---|---|---|---|---|
| VAT receivables | **$** | **19,726** | $ | 10,799 |
| GST receivables | | **2,090** | | 3,778 |
| Related party receivable | | **1,535** | | 99 |
| Other receivables | | **63** | | - |
| Total | **$** | **23,414** | $ | 14,676 |

## 7. DEFERRED FINANCING FEES

During the year ended January 31, 2020, the Company wrote off deferred financing fees of $582,617, which consisted primarily of legal, accounting and related professional fees incurred in connection with a listing of the Company's common shares and a concurrent financing on the Alternative Investment Market ("AIM") in London, UK. The Company was unable to complete the listing and concurrent equity financing on AIM as had been envisaged, therefore the deferred financing fees of $582,617 have been written off. The Company recorded $552,758 of deferred financing fees as of January 31, 2019.

(Expressed in Canadian dollars)

## 8. PROPERTY, PLANT AND EQUIPMENT

| **Cost** | Computer equipment | Software | Furniture & fixtures | Land & site | Motor vehicles | Right-of-use real estate | Water treatment plant* (in progress) | Equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| As at January 31, 2018 | $ 82,412 | $29,171 | $ 26,294 | $ 665,000 | $ 33,000 | $ - | $ 560,718 | $ 327,535 | $ 1,724,130 |
| Additions | 17,879 | 7,527 | 3,752 | 846,835 | - | - | 2,660,028 | - | 3,536,021 |
| Capitalized borrowing costs | - | - | - | 98,930 | - | - | 218,573 | - | 317,503 |
| Disposal | (50,986) | - | (6,221) | - | - | - | - | (55,766) | (112,973) |
| Transfers** | - | - | 1,380 | - | (14,082) | - | (197,955) | 12,702 | (197,955) |
| As at January 31, 2019 | 49,305 | 36,698 | 25,205 | 1,610,765 | 18,918 | - | 3,241,364 | 284,471 | 5,266,726 |
| Adoption of IFRS 16 | - | - | - | - | - | 187,248 | - | - | 187,248 |
| Lease modification and remeasurement | - | - | - | - | - | (6,867) | - | - | (6,867) |
| Additions | 1,819 | 10,498 | 2,341 | - | - | - | 389,484 | 3,110 | 407,250 |
| Capitalized borrowing costs | - | - | - | 118,556 | - | - | 372,404 | - | 490,960 |
| Foreign currency translation | 438 | 323 | 361 | (14,168) | 225 | - | 44,839 | 3,253 | 35,271 |
| **As at January 31, 2020** | **$ 51,562** | **$ 47,519** | **$ 27,907** | **$1,715,153** | **$ 19,143** | **$ 180,381** | **$ 4,048,089** | **$ 290,834** | **$ 6,380,588** |
| | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | |
| As at January 31, 2018 | $ (50,998) | $ (14,585) | $ (3,789) | $ - | $ (13,943) | $ - | $ - | $ (132,515) | $ (215,830) |
| Depreciation | (3,779) | (3,763) | - | - | - | - | - | - | (7,542) |
| Capitalized depreciation | (8,056) | (14,586) | (5,726) | - | (3,829) | - | - | (95,143) | (127,340) |
| Disposals | 47,423 | - | 2,705 | - | - | - | - | 33,475 | 83,603 |
| Transfers** | - | - | (405) | - | 5,950 | - | - | (5,545) | - |
| As at January 31, 2019 | (15,410) | (32,934) | (7,215) | - | (11,822) | - | - | (199,728) | (267,109) |
| Depreciation | (4,558) | (4,384) | - | - | - | (82,458) | - | - | (91,400) |
| Capitalized depreciation | (11,370) | - | (2,195) | - | (4,897) | - | - | (32,483) | (50,945) |
| Foreign currency translation | (468) | (323) | (157) | - | (289) | - | - | (3,170) | (4,407) |
| **As at January 31, 2020** | **$ (31,806)** | **$ (37,641)** | **$ (9,567)** | **$ -** | **$ (17,008)** | $ (82,458) | **$ -** | **$ (235,381)** | **$ (413,861)** |
| | | | | | | | | | |
| **Net book value** | | | | | | | | | |
| As at January 31, 2019 | $ 33,895 | $ 3,764 | $ 17,990 | $1,610,765 | $ 7,096 | $ - | $ 3,241,364 | $ 84,743 | $ 4,999,617 |
| **As at January 31, 2020** | **$ 19,756** | **$ 9,878** | **$ 18,340** | **$1,715,153** | **$ 2,135** | **$ 97,923** | **$ 4,048,089** | **$ 55,453** | **$ 5,966,727** |

*The water treatment plant (in progress) is currently not depreciated. Depreciation will commense once the asset is complete and available for its intended use.

**Certain costs from prior year included in the water treatment plant ($197,955) have been reclassified to exploration and evaluation assets to ensure consistency in categorization. The Company has also reclassified certain assets to ensure consistency in categorization.

## 8. PROPERTY, PLANT AND EQUIPMENT - *Continued*

As discussed in Note 2, upon adoption of IFRS 16, the Company has recognized a right-of-use asset and a lease liability at the transition date for the lease arrangement relating to its office located in Vancouver, Canada. Previously, this lease was classified as an operating lease. Right-of-use assets are now included in property, plant and equipment as shown in the table above.

As of February 1, 2019, the Company reviewed its depreciation method and remaining useful lives for all assets other than the right-of-use asset to reflect the most consistent expected pattern of economic benefits derived from property, plant and equipment. After completion of this review, the depreciation method was changed to a straight line basis (previously reducing basis) with the remaining useful lives set out in Note 3 (g).

## 9. ROYALTIES

### *Mactung and Cantung royalty acquisition*

In March 2016, the Company purchased from Teck Resources Limited ("Teck") a 4% NSR on the Mactung tungsten project (one-half of which (2%) may be purchased by the property owner at any time for $2,500,000) and a 1% NSR on the Cantung tungsten project (collectively, the "Royalties"). The Mactung project (non-producing) is located in the Yukon and the Northwest Territories in Canada; the Cantung project (non-producing) is located in the Northwest Territories in Canada. The Company paid $1,500,000 to Teck upon closing of the acquisition and will make a further $1,500,000 payment to Teck on the earlier of a development decision at Mactung or the re-commencement of commercial production at Cantung.

Osisko Gold Royalties Ltd. ("Osisko"), a significant shareholder of the Company, provided a $1,500,000 interest-free line of credit to the Company to complete the royalty acquisition which has since been settled in full (Note 13).

During the year ended January 31, 2020, the Company impaired the Royalties as management believes that a sustained improvement in tungsten prices is required before the Mactung and Cantung projects become viable. This assessment is supported by the likely capital requirements to develop the projects, their remote location and that neither of the projects is in operation. Management continues to review the ongoing joint marketing of the projects being conducted by the Government of the Northwest Territories and the Government of Canada.

(Expressed in Canadian dollars)

## 10. EXPLORATION AND EVALUATION ASSETS

| | January 31, 2019 | Expended during the year | Impaired during the year | **January 31, 2020** |
|---|---|---|---|---|
| Tin Properties, Alaska, USA | | | | |
| Exploration costs | $ 18,833 | $ 18,424 | $ (37,257) | **$ -** |
| Tenure costs | 173,529 | - | (173,529) | **-** |
| Geological and assays | 6,388 | - | (6,388) | **-** |
| Office and remuneration costs | 3,587 | - | (3,587) | **-** |
| Asset acquisition | 656,134 | - | (656,134) | **-** |
| Foreign currency translation | - | 3,047 | (3,047) | **-** |
| | 858,471 | 21,471 | (879,942) | **-** |
| South Crofty, Cornwall, UK | | | | |
| Exploration costs | 829,678 | 233,595 | - | **1,063,273** |
| Tenure and utility costs | 721,165 | 140,320 | - | **861,485** |
| Office and remuneration costs | 1,841,412 | 935,825 | - | **2,777,237** |
| Capitalized depreciation | 296,380 | 50,944 | - | **347,324** |
| Asset acquisition | 3,023,374 | - | - | **3,023,374** |
| Recovery of costs | (191,461) | (64,445) | - | **(255,906)** |
| Foreign currency translation | - | 111,901 | - | **111,901** |
| | 6,520,548 | 1,408,140 | - | **7,928,688** |
| | $ 7,379,019 | $ 1,429,611 | $ (879,942) | **$ 7,928,688** |

| | January 31, 2018 | Transfer from water treatment plant | Expended during the year | **January 31, 2019** |
|---|---|---|---|---|
| Tin Properties, Alaska, USA | | | | |
| Exploration costs | $ 18,810 | $ - | $ 23 | **$ 18,833** |
| Tenure costs | 118,598 | - | 54,931 | **173,529** |
| Geological and assays | 6,388 | - | - | **6,388** |
| Office and remuneration costs | 3,587 | - | - | **3,587** |
| Asset acquisition | 656,134 | - | - | **656,134** |
| | 803,517 | - | 54,954 | **858,471** |
| South Crofty, Cornwall, UK | | | | |
| Exploration costs | 561,208 | - | 268,470 | **829,678** |
| Tenure and utility costs | 311,818 | 197,955 | 211,392 | **721,165** |
| Office and remuneration costs | 997,143 | - | 844,269 | **1,841,412** |
| Capitalized depreciation | 169,040 | - | 127,340 | **296,380** |
| Asset acquisition | 3,023,374 | - | - | **3,023,374** |
| Recovery of costs | (124,471) | - | (66,990) | **(191,461)** |
| | 4,938,112 | 197,955 | 1,384,481 | **6,520,548** |
| | $ 5,741,629 | $ 197,955 | $ 1,439,435 | **$ 7,379,019** |

(Expressed in Canadian dollars)

## 10. EXPLORATION AND EVALUATION ASSETS – *Continued*

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing.

### a) South Crofty Tin Project, Cornwall, UK

On March 16, 2016, the Company entered into a Share Purchase Agreement ("SPA") with Galena Special Situations Fund ("Galena") and Tin Shield Production Ltd. ("Tin Shield") (collectively, the "Sellers"). Under the terms of this SPA, on July 11, 2016, the Company acquired, from administration, a 100% interest in the South Crofty Tin Project and associated mineral rights in Cornwall, UK. The Company, through its wholly-owned subsidiary, SBW UK, owns a 100% interest in WUML and CML (collectively the "Companies"). The Companies hold the rights to the South Crofty underground mine permission area, plus additional mineral rights located in various parts of Cornwall, UK.

The purchase price of the acquisition was as follows:

| **Purchase price** | | |
|---|---|---|
| Common shares issued (2,000,000 shares) | $ | **400,000** |
| Cash consideration (including transaction costs) | | **1,453,374** |
| Commitment to issue shares | | **2,000,000** |
| | $ | **3,853,374** |

In addition to the cash and common share consideration of $1,853,374 paid on July 11, 2016, the Company agreed to the following additional payments and share issuances under the terms of the SPA:

- Strongbow to make a $2,000,000 payment to the Sellers on the second anniversary of the approval vote by creditors for WUML's exit from administration (date set at June 10, 2018). While Strongbow had the right to settle 50% of this payment in cash, the Company decided to settle 100% of this payment with the issuance of common shares and recorded a commitment to issue shares totaling $2,000,000 at the date of acquisition. During the year ended January 31, 2019, the Company issued 8,456,664 shares in satisfaction of this commitment.
- Strongbow to issue 1,000,000 common shares to the Sellers upon receipt of a permit to increase water discharge from the old mine workings from 10,000m$^3$ per day to 25,000m$^3$ per day (issued November 1, 2017 at a value of $180,000).
- Strongbow to issue 2,000,000 common shares to the Sellers on delivery of a positive feasibility study or commencement of commercial production, whichever occurs first.
- Strongbow to make a cash and / or common share payment to the Sellers equal to 25% of the Net Present Value ("NPV") of the project upon making a decision to go into production. In the event that Strongbow's market capitalization is less than the NPV of the project when a production decision is made, Strongbow will pay the equivalent of 25% of its market value to the Sellers and the balance (between the 25% of market value and 25% of the NPV of the project) will be paid out as a 5% Net Profits Interest from production.
- In the event that Strongbow transfers any assets, rights, or entitlements to certain mineral rights which are not part of the core mineral rights (the "Other Mineral Rights") to a third party before the agreed consideration has been paid to the Sellers, then the Sellers will be entitled to receive a payment equal to 10% of any consideration received for the Other Mineral Rights, to a maximum of $1,000,000.

## 10. EXPLORATION AND EVALUATION ASSETS – *Continued*

### b) Cornish Lithium exploration option agreement

In January 2017, SBW UK and Cornish Lithium Limited ("CLL"), a private UK company, entered into an exploration option agreement whereby CLL has the right to explore for, and potentially develop, lithium in hot springs brines and associated geothermal energy from the Company's mineral rights in Cornwall, UK. The Company will have a 25% free carried interest in the first project to have a bankable feasibility study completed on it, after which the Company will be required to contribute its share of development costs or be diluted. The Company will have a 10% free carried interest on subsequent development projects as well as a 2% gross revenue royalty payable from the production of metals from brines or from any geothermal energy produced and sold by CLL.

Under the terms of the agreement, CLL agreed to issue common shares with a value US$50,000 concurrently with its first financing (received – August 2017) and, to keep the agreement in good standing, to issue CLL common shares with a value of US$50,000 on the first, second, third and fourth anniversary of the agreement. From the fifth anniversary date of the agreement, CLL will make annual payments of US$100,000, in cash or common shares of CLL, at its election. From the tenth anniversary date of the agreement, CLL will make annual payments of US$500,000 in cash or common shares of CLL, at its election, of which 50% of the payment will be considered an advance royalty payment. During the year ended January 31, 2020, the Company recorded a recovery against exploration and evaluation assets of $64,445 (2019 - $66,990) for the fair value of the CLL shares received.

### c) Sleitat and Coal Creek tin properties, Alaska, U.S.A.

On July 24, 2015, the Company acquired the Sleitat and Coal Creek tin properties in Alaska (collectively, the "Properties") subject to the terms of a property purchase agreement (the "Agreement") with Osisko and Mr. R. Netolitzky, and their respective wholly-owned companies. Mr. Netolitzky was a director of the Company at the time of the acquisition. The Company acquired the Properties for total consideration of 6,500,000 common shares of the Company and a 2% NSR on the properties. The common shares were issued at $0.10 per share for a value of $650,000 with transaction costs of $6,134 incurred.

In addition to the shares and the NSR, the Company granted Osisko a first right of refusal on the sale of any future royalties on any of the Company's Properties.

During the year ended January 31, 2020, the Company impaired all capitalized exploration and evaluation assets related to the Properties due to limited exploration activities since their acquisition and also because substantive expenditure on further exploration activities on these Properties is neither budgeted nor planned in the foreseeable future.

On December 1, 2019, the Company relinquished the Coal Creek tin property. The Company maintains its interest in the underlying mineral claim and mining leases for the Sleitat tin property by making annual payments of approximately $22,000.

### d) Shovelnose, gold and base metal properties, British Columbia, Canada

The Company acquired, by staking, a 100% interest in certain mineral claims comprising the Shovelnose property in October 2005. The Company expanded the Shovelnose property by staking additional mineral claims in November 2008.

On September 9, 2015, the Company and Westhaven entered into a property purchase agreement. The Company sold its interest in the Shovelnose property in exchange for 2,000,000 common shares of Westhaven and a 2% NSR which can be reduced to 1%, at Westhaven's option, for $500,000.

On September 6, 2019, the royalty on the Shovelnose property was transferred to Osisko for the settlement of the $1,500,000 line of credit (Note 13).

(Expressed in Canadian dollars)

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | **January 31, 2020** | | January 31, 2019 |
|---|---|---|---|---|
| Trade payables | **$** | **493,107** | $ | 185,532 |
| Accrued liabilities | | **116,235** | | 74,421 |
| Related party payable | | **946** | | 10,063 |
| Total | **$** | **610,288** | $ | 270,016 |

## 12. LEASE LIABILITY

| | | **Year ended January 31, 2020** | | Year ended January 31, 2019 |
|---|---|---|---|---|
| Opening balance | **$** | **187,248** | $ | - |
| Lease modification and remeasurement | | **(6,867)** | | - |
| Lease payments | | **(85,545)** | | - |
| Amortization of discount | | **4,072** | | - |
| Ending balance | **$** | **98,908** | $ | - |

As discussed in Note 2, upon adoption of IFRS 16, the Company has recognized a right-of-use asset and a lease liability at the transition date for the lease arrangement relating to its office located in Vancouver, Canada. Previously, this lease was classified as an operating lease. The lease liability was initially measured at the present value of the lease payments, discounted using the Company's estimated incremental borrowing rate of 5%, rather than the interest rate implicit in the lease, as that rate could not be readily determined. Lease liabilities are now included within current and long-term liabilities in the consolidated statements of financial position.

The reconciliation of prior year lease commitments and the impact of discounting to the opening lease liability balance of $187,248 is as follows:

| | | |
|---|---|---|
| Minimum lease payments under operating leases as of February 1, 2019 | $ | 203,299 |
| Effect from discounting at the estimated incremental borrowing rate as of February 1, 2019 | | (16,051) |
| Opening lease liability as of February 1, 2019 | $ | 187,248 |

The finance cost, or amortization of the discount, is charged to profit or loss using the effective interest method.

The following table is a summary of the carrying amounts of the Company's lease liabilities that are recognized in the consolidated statement of financial position as of:

| | | **January 31, 2020** | | January 31, 2019 |
|---|---|---|---|---|
| Current portion of lease obligation | **$** | **78,595** | $ | - |
| Long-term portion of lease obligation | | **20,313** | | - |
| Ending balance | **$** | **98,908** | $ | - |

(Expressed in Canadian dollars)

## 12. LEASE LIABILITY – *Continued*

The table below analyzes the Company's lease liabilities into relevant contractual maturity date groupings based on the remaining period at the reporting date to the contractual maturity date of the lease. The amounts shown in the table below are the contractual undiscounted cash flows related to lease liabilities.

| | 1 year or less | 1-2 years | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|
| Total contractual obligations | $ 88,308 | $ 24,194 | $ 112,502 | $ 98,908 |

The difference between the total contractual undiscounted cash flows related to lease payments to lessors and the carrying amount of the lease liability is the amortization of the discount related to the lease liability.

During the year ended January 31, 2020, the Company continued its sub-lease agreements with two tenants within its office located in Vancouver, Canada. Both sub-lease agreements have been treated as operating leases in accordance with IFRS 16. Income arising under these sub-lease agreements during the year ended January 31, 2020 was $40,300 (January 31, 2019 - $40,200) and has been recognized in profit or loss.

## 13. LINE OF CREDIT

| | **Year ended January 31, 2020** | Year ended January 31, 2019 |
|---|---|---|
| Opening balance | **$ 1,475,504** | $ 1,283,047 |
| Accretion | **24,496** | 192,457 |
| Settlement | **(1,500,000)** | - |
| Ending balance | **$ -** | $ 1,475,504 |

On March 15, 2016, Osisko, a significant shareholder of the Company, provided a $1,500,000 interest-free line of credit (the "Loan") to the Company to complete the acquisition of two royalties from Teck (Note 9). The Company was to repay the Loan upon any sale of the Mactung project by the Government of the Northwest Territories. Repayment of the Loan was to have been by conveyance of the royalties to Osisko at Osisko's election at any time after the sale of the Mactung project by the Government of the Northwest Territories, or in cash under certain other circumstances. Any failure to repay the Loan would have been considered an event of default (a "Default"). In the event of a Default, the $1,500,000 principal would be repayable immediately in cash and interest of 5% would also be payable, calculated from the drawdown date of the Loan to the date of repayment. The Loan was secured by a charge on the two royalties.

The estimated present value of this payment obligation was calculated using a discount rate of 15%. As at the March 2016 acquisition date, the Company estimated that the Mactung Project would be sold within a three-year period, thereby triggering a repayment of the $1.5 million line of credit. The $507,665 difference between the acquisition cost and the net present value of the loan was treated as a capital contribution to the Company from Osisko, since Osisko is a significant shareholder of the Company.

On September 6, 2019, the $1,500,000 Loan was settled in return for the transfer of a royalty on the Shovelnose property held by Westhaven (Note 10(d)). The purchase price paid by Osisko for the Shovelnose royalty was by way of set-off against the outstanding debt in full satisfaction of the Loan. The Company has classified the gain of $1,500,000 arising from the settlement of the loan in exchange for the royalty over the Shovelnose property as a capital contribution.

(Expressed in Canadian dollars)

## 14. DEBT AND ROYALTY OPTION

| | | **Year ended January 31, 2020** | | Year ended January 31, 2019 |
|---|---|---|---|---|
| Opening balance | **$** | **4,525,893** | $ | 3,917,432 |
| Accretion – charged to profit or loss | | **193,912** | | 290,958 |
| Accretion – capitalized to property, plant and equipment | | **490,960** | | 317,503 |
| Ending balance | **$** | **5,210,765** | $ | 4,525,893 |

On January 26, 2018, the Company completed a secured convertible note financing (the "Note") with Osisko, a significant shareholder of the Company, for gross proceeds of $7,170,000. The Note is convertible into a 1.5% NSR on all metals and minerals produced from the South Crofty Tin Project (the "Osisko NSR"). The Note is secured by a first-ranking lien on all of the assets of the Company and its subsidiaries. If an event of default occurs under either the Note or the Osisko NSR, Osisko has the right to realize upon its security and become the owner of all of the Company's assets.

Osisko may not make a demand on the Note until the commencement of commercial production at the South Crofty Tin Project (or otherwise upon the occurrence of an event of default). No interest is to be payable on the principal amount outstanding under the Note until December 31, 2021 (or otherwise on the occurrence of an event of default), after which time interest will accrue at an annual rate of 10%. If commercial production is not achieved at the South Crofty Tin Project by December 31, 2025, all amounts owing under the Note would become due and payable.

Concurrently with this transaction, the Company and Osisko entered into a governance and financing agreement containing, among other things, the grant to Osisko of an option to purchase the Osisko NSR in exchange for the Note (the "Royalty Option"). If, as and when Osisko exercises the Royalty Option, the Company and its affiliates will enter into a royalty agreement with Osisko (the "Royalty Agreement"), and the Company's performance and payment obligations will continue to be secured by the first ranking lien of Osisko. Once the Company has made royalty payments in excess of US$7.5 million, the scope of the first ranking liens will be reduced.

The Company received gross proceeds of $7,170,000 from the sale of the Note, which was recorded at a fair value of $4,283,486 using a 14% discount rate. The carrying value of the debt, net of transaction costs totalling $366,054 ($3,917,432), will be accreted up to the debt's face value over the estimated term of the debt. The difference between the gross proceeds received and the fair value recorded for the Note has been recorded as a Royalty Option. The Royalty Option is a non-financial liability that has been recorded at a cost of $2,886,514; transaction costs of $246,673 allocated to the Royalty Option on a pro-rata basis were expensed in professional fees in the year ended January 31, 2018.

(Expressed in Canadian dollars)

## 15. CAPITAL AND RESERVES

### Authorized share capital

At January 31, 2020, the authorized share capital is an unlimited number of common shares without par value. All issued shares are fully paid.

### Share issuances/share subscriptions received

On February 3, 2020, the Company closed a private placement financing by issuing 47,050,000 units at a price of $0.05 per Unit for gross proceeds of $2,352,500 (Note 23). As at January 31, 2020, the Company received share subscriptions totaling $1,175,000.

During the year ended January 31, 2019, 454,833 shares were issued in conjunction with the exercise of warrants resulting in net proceeds of $90,967 and 8,456,664 shares were issued to Galena and Tin Shield to satisfy a $2,000,000 property option agreement (Note 10(a)).

### Stock options and warrants

The Company has a "10% rolling" stock option plan (the "Plan"). The maximum aggregate number of common shares issuable pursuant to options awarded under the stock option plan and outstanding from time to time may not exceed 10% of the issued and outstanding common shares from time to time.

Under the terms of the Plan, options will be exercisable over periods of up to five years as determined by the Board of Directors and must have an exercise price not less than the closing market price of the Company's shares prevailing on the day that the option is granted. Under the Plan, the Board of Directors may from time to time authorize the grant of options to directors, officers, employees and consultants of the Company and its subsidiaries, or employees of companies providing management or consulting services to the Company or its subsidiaries.

The Plan provides that the directors have the discretion to impose vesting of options and that, unless otherwise specified by the directors, vesting will occur generally as to 20% on the grant date and 20% every three months thereafter, becoming fully vested one-year from the date of grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant.

As at January 31, 2020, the following stock options were outstanding:

| | Number of shares | | Exercise price | Number exercisable | Expiry date |
|---|---|---|---|---|---|
| **Options** | 2,020,000 | $ | 0.11 | 2,020,000 | October 23, 2020 |
| | 2,275,000 | $ | 0.15 | 2,275,000 | January 3, 2022 |
| | 2,130,000 | $ | 0.20 | 2,130,000 | November 3, 2022 |

There were no warrants outstanding as of January 31, 2020 (January 31, 2019 – 18,376,000).

(Expressed in Canadian dollars)

## 15. CAPITAL AND RESERVES - *Continued*

**Stock options and warrants** – *Continued*

*Stock options*

Stock option transactions for the years ended January 31, 2020 and 2019 are summarized as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance, January 31, 2018 | 7,460,000 | $ 0.16 |
| Forfeited | (650,000) | 0.15 |
| Balance, January 31, 2019 | 6,810,000 | 0.16 |
| Forfeited | (385,000) | 0.18 |
| **Balance, January 31, 2020** | **6,425,000** | **$ 0.15** |
| **Number of options exercisable as at January 31, 2020** | **6,425,000** | **$ 0.15** |

*Warrants*

Warrant transactions for the years ended January 31, 2020 and 2019 are summarized as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| Balance, January 31, 2018 | 33,627,082 | $ 0.20 |
| Warrants exercised | (454,833) | 0.20 |
| Warrants expired | (14,796,249) | 0.20 |
| Balance, January 31, 2019 | 18,376,000 | 0.20 |
| Warrants expired | (18,376,000) | 0.20 |
| **Balance, January 31, 2020** | **-** | **$ -** |

**Share-based compensation**

During the years ended January 31, 2020 and January 31, 2019, the Company granted no stock options.

During the year ended January 31, 2020, the Company recorded $Nil (January 31, 2019 - $167,376) in share-based compensation expense for options vested during the year.

## 16. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in capital and reserves as set out in the consolidated statement of financial position. The Company manages its capital structure based on the nature and availability of funding, and the timing of expected or committed expenditures. The Company's capital management policy is to maintain sufficient capital to support the acquisition, exploration and future development of its exploration and evaluation assets and to provide sufficient funds for its corporate activities.

The Company's exploration and evaluation assets are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings and asset sales, or a combination thereof, to finance its activities. The Company forecasts its future capital requirements by planning the exploration and future development activities to be undertaken on its exploration and evaluation assets, and assessing the level of corporate activities that are necessary to support the growth and development of the Company.

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

(Expressed in Canadian dollars)

## 17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | **2020** | 2019 |
|---|---|---|
| Income (loss) before income taxes | **$ (4,559,178)** | $ 325,976 |
| Expected income tax (recovery) | **(1,231,000)** | 88,000 |
| Permanent difference | **536,000** | (396,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | **(85,000)** | 99,000 |
| Adjustment to prior year's provision versus statutory returns | **212,000** | (22,000) |
| Changes in unrecognized deductible temporary differences | **568,000** | 231,000 |
| Income tax expense (recovery) | **$ -** | $ - |

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

| | **2020** | 2019 |
|---|---|---|
| Deferred tax assets (liabilities) | | |
| Exploration and evaluation assets | **$ 4,202,000** | $ 4,112,000 |
| Property and equipment and other | **488,000** | 330,000 |
| Allowable capital losses | **566,000** | 708,000 |
| Non-capital losses available for future periods | **3,013,000** | 2,551,000 |
| | **8,269,000** | 7,701,000 |
| Unrecognized deferred tax assets | **(8,269,000)** | (7,701,000) |
| 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 in the consolidated statement of financial position are as follows:

| | **2020** | Expiry dates | 2019 |
|---|---|---|---|
| Exploration and evaluation assets | **$ 14,359,000** | no expiry date | $ 14,007,000 |
| Property and equipment and other | **1,806,000** | 2041 onwards | 1,320,000 |
| Allowable capital losses | **1,964,000** | no expiry date | 2,621,000 |
| Non-capital losses available for future period | **11,624,000** | 2029 onwards | 9,377,000 |
| Canada | **10,049,000** | 2029 to 2040 | 8,402,000 |
| USA | **44,000** | 2036 onwards | 37,000 |
| UK | **1,531,000** | no expiry date | 938,000 |

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

(Expressed in Canadian dollars)

## 18. EARNINGS (LOSS) PER SHARE DATA

| | **Year ended January 31, 2020** | Year ended January 31, 2019 |
|---|---|---|
| Weighted average common shares outstanding: | **86,768,585** | 83,474,393 |
| Plus net incremental shares from assumed conversions: | | |
| Options | **-** | 1,382,422 |
| Diluted weighted average common shares outstanding: | **86,768,585** | 84,856,815 |

For the periods where the Company records a loss, the Company calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares was used, the result would be a reduction in the loss, which would be anti-dilutive.

## 19. COMMITMENTS

The Company has entered into contracts with utility providers and mineral lease owners, none of which are regarded as significant or non-routine in nature. Costs under these contracts are either expensed to profit or loss, or capitalized to exploration and evaluation assets depending on their nature.

The Company also has outstanding commitments relating to the construction of the water treatment plant for $270,000. The timing of payments relating to these commitments is uncertain, and would depend on the progress of construction.

Upon commencement of mining, the Company is liable to make payments to owners of mineral properties within the underground mine permission area of the South Crofty tin project which the Company leases for the purposes of ore extraction. Payments will take the form of either:

- an advance payment of £50,000 per annum (equivalent to $87,175 at the period end GBP/CAD rate) during periods when there is no production from the respective owner's mineral rights ("Advance Royalty Payments"), or
- a NSR payable for a minimum of £50,000 on ore extracted from property that falls within the mineral rights held by the owner which varies according to the prevailing tin price.

The Advance Royalty Payments will be deducted from NSR royalty payments as and when the NSR royalties become payable.

(Expressed in Canadian dollars)

## 20. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended January 31, 2020 and 2019:

a) Paid $7,943 to North Arrow Minerals Inc. ("North Arrow"), a company with two common directors, for office space and administrative services (2019 - $18,000) of which $Nil was included in accounts payable and accrued liabilities (2019 - $4,000);

b) Paid $Nil as a cost reimbursement (2019 - $3,399) to Winshear Gold Corp. ("Winshear", previously Helio Resource Corp.), a company with a common director; and

c) Received $6,073 from Winshear relating to an apportionment of rent and similar expenditures for the Vancouver office (2019 - $Nil), of which $1,521 was included in receivables (2019 - $Nil).

Transactions with related parties concluded in previous years are disclosed in Notes 5, 10, 13 and 14 of these consolidated financial statements.

Key management includes the Company's directors and officers. Compensation awarded to key management was as follows:

| | Year ended | |
|---|---|---|
| | **January 31, 2020** | January 31, 2019 |
| Salaries and benefits[1] | **$ 575,999** | $ 545,919 |
| Share-based payments[2] | **-** | 109,081 |
| Total | **$ 575,999** | $ 655,000 |

1 Allocated $560,499 (2019 - $482,392) to salaries and benefits and $15,500 (2019 - $63,527) to professional fees.

2 Share-based payments are the fair value of options that have been granted and vested to directors and key management personnel.

## 21. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended January 31, 2020 the significant non-cash transactions were:

a) Included in exploration and evaluation assets are capitalized depreciation of \$52,430 and \$31,123 which relates to accounts payable and accrued liabilities;

b) Included in property, plant and equipment are capitalized borrowing costs of \$490,960 (Note 14), the capitalized portion of the right-of-use real estate of \$97,923 (Note 12), deposits of \$31,383 and \$374,933 which relates to accounts payable and accrued liabilities;

c) Exploration and evaluation assets have been reduced by \$64,445 which represents the estimated fair value of common shares of a private company received pursuant to a property option agreement (Notes 5 and 10).

During the year ended January 31, 2019 the significant non-cash transactions were:

a) Included in exploration and evaluation assets are capitalized depreciation of \$127,340 and \$69,597 which relates to accounts payable and accrued liabilities;

b) Included in deferred financing fees is \$61,457 which relates to accounts payable and accrued liabilities;

c) Included in property, plant and equipment are capitalized borrowing costs of \$317,503 (Note 14) and \$8,246 which relates to accounts payable and accrued liabilities;

d) Exploration and evaluation assets have been reduced by \$66,990 which represents the estimated fair value of common shares of a private company received pursuant to a property option agreement (Notes 5 and 10);

e) The issuance of 8,456,664 common shares with a value of \$2,000,000 on June 10, 2018 pursuant to the terms of the South Crofty acquisition agreement (Note 10).

(Expressed in Canadian dollars)

## 22. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and evaluation of mineral properties in North America and the United Kingdom as follows:

| | **As at January 31, 2020** | | | | As at January 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Canada** | **United States** | **United Kingdom** | **Total** | Canada | United States | United Kingdom | Total |
| Deposits | $ 10,964 | $ - | $ 25,865 | **$ 36,829** | $ 10,964 | $ - | $ 56,621 | $ 67,585 |
| Property, plant and equipment | 114,863 | - | 5,851,864 | **5,966,727** | 15,384 | - | 4,984,233 | 4,999,617 |
| Royalties | - | - | - | **-** | 1,500,000 | - | - | 1,500,000 |
| Exploration and evaluation assets | - | - | 7,928,688 | **7,928,688** | - | 858,471 | 6,520,548 | 7,379,019 |

## 23. SUBSEQUENT EVENTS

### a) Private placement financing

On February 3, 2020, the Company closed a private placement financing, issuing 47,050,000 units (the "Units") at a price of $0.05 per Unit for gross proceeds of $2,352,500, of which $1,175,000 was received as at January 31, 2020 (Note 15). Each Unit comprises one common share and one half of one common share purchase warrant. Each full warrant will allow the holder to purchase one additional common share of Strongbow (each, a "Warrant Share") at a price of $0.07 per Warrant Share for a period of 36 months from the closing date of the financing. In connection with the private placement, Osisko purchased a total of 20,000,000 Units. Net proceeds from the financing amounted to $2,303,444.

### b) COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.