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**FINANCIAL STATEMENTS OF PROBE METALS INC.  
FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN CANADIAN DOLLARS)**

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## Independent Auditor's Report

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To the Shareholders of Probe Metals Inc.:

### Opinion

We have audited the financial statements of Probe Metals Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 Brock Stroud.

Toronto, Ontario  
April 13, 2020

*MNP* LLP  
Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**Probe Metals Inc.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

As at December 31,	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 34,697,148	\$ 17,534,967
Short-term investments	-	10,018,642
Trade accounts receivable and other receivables (note 5)	540,482	953,730
Marketable securities (note 6)	4,635,571	3,009,630
Prepaid expenses	71,560	103,543
Income tax receivable	1,003,310	-
<b>Total current assets</b>	<b>40,948,071</b>	<b>31,620,512</b>
<b>Non-current assets</b>		
Property and equipment (note 7)	521,028	601,211
Rights-of-use asset (note 8)	251,971	317,703
<b>Total non-current assets</b>	<b>772,999</b>	<b>918,914</b>
<b>Total assets</b>	<b>\$ 41,721,070</b>	<b>\$ 32,539,426</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (notes 9 and 19)	\$ 1,060,491	\$ 989,783
Current portion of lease liability (note 10)	37,226	24,250
Flow-through share liability (note 11)	6,158,000	2,755,301
<b>Total current liabilities</b>	<b>7,255,717</b>	<b>3,769,334</b>
<b>Non-current liabilities</b>		
Lease liability (note 10)	263,748	300,972
<b>Total liabilities</b>	<b>7,519,465</b>	<b>4,070,306</b>
<b>Equity</b>		
Share capital (note 12)	98,195,843	89,655,041
Warrants (note 13)	3,689,463	2,486,141
Contributed surplus (notes 14 and 15)	7,084,983	6,197,004
Accumulated deficit	(74,768,684)	(69,869,066)
<b>Total equity</b>	<b>34,201,605</b>	<b>28,469,120</b>
<b>Total liabilities and equity</b>	<b>\$ 41,721,070</b>	<b>\$ 32,539,426</b>

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

Nature of operations (note 1)  
 Commitments (note 20)  
 Subsequent events (note 23)

**Approved on behalf of the Board:**

"David Palmer", Director

"Gordon McCreary", Director

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**Probe Metals Inc.****Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)**

	Year ended December 31,	
	2019	2018
<b>Operating expenses</b>		
Exploration and evaluation expenditures (note 17)	\$ 7,792,692	\$ 15,612,236
General and administrative expenses (note 18)	3,408,595	4,169,459
<b>Operating loss before gain on sale of property and equipment, interest and other income, interest expense, premium on flow-through shares, realized gain on sale of marketable securities and unrealized gain (loss) on sale of marketable securities</b>	<b>(11,201,287)</b>	<b>(19,781,695)</b>
Gain on sale of property and equipment (note 7)	-	42,106
Interest and other income	567,676	491,036
Interest expense (note 10)	(134,452)	(23,014)
Premium on flow-through shares (note 11)	2,755,301	4,567,378
Realized gain on sale of marketable securities (note 6)	94,753	-
Unrealized gain (loss) on marketable securities (note 6)	1,955,467	(5,715,967)
<b>Loss before income taxes</b>	<b>(5,962,542)</b>	<b>(20,420,156)</b>
Income tax recovery (note 22)	(1,003,310)	-
<b>Loss and comprehensive loss for the year</b>	<b>\$ (4,959,232)</b>	<b>\$(20,420,156)</b>
<b>Basic and diluted loss per share (note 16)</b>	<b>\$ (0.04)</b>	<b>\$ (0.20)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>111,500,465</b>	<b>102,822,957</b>

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

**Probe Metals Inc.**  
**Statements of Cash Flows**  
(Expressed in Canadian Dollars)

Year ended  
December 31,  
2019                      2018

**Operating activities:**

Net loss for the year	\$ (4,959,232)	\$ (20,420,156)
Adjustments for:		
Share-based payments (notes 14 and 15)	1,011,770	1,753,922
Depreciation (notes 7 and 8)	150,816	133,771
Accrued interest receivable	55,797	14,190
Realized gain on sale of marketable securities (note 6)	(94,753)	-
Gain on sale of property and equipment (note 7)	-	(42,106)
(Gain) loss on marketable securities (note 6)	(1,955,467)	5,715,967
Premium on flow-through share (note 11)	(2,755,301)	(4,567,378)
Interest expense (note 10)	134,452	23,014
Income tax recovery (note 10)	(1,003,310)	-
Changes in non-cash working capital items:		
Trade accounts receivable and other receivables	357,451	477,909
Prepaid expenses	31,983	(27,527)
Amounts payable and other liabilities	70,708	(139,583)
<b>Net cash used in operating activities</b>	<b>(8,955,086)</b>	<b>(17,077,977)</b>

**Investing activities:**

Purchase of property and equipment (note 7)	(4,901)	(44,650)
Proceeds from sale of property and equipment (note 7)	-	285,000
Purchase of marketable securities	-	(300,000)
Proceeds from sale of marketable securities	424,279	-
Proceeds from redemption of short-term investments	10,018,642	-
Purchase of short-term investments	-	(10,000,000)
<b>Net cash provided by (used in) investing activities</b>	<b>10,438,020</b>	<b>(10,059,650)</b>

**Financing activities:**

Proceeds from private placements (note 12(b)(i)(ii))	17,000,000	24,691,201
Share issue costs	(1,215,588)	(1,517,607)
Exercise of warrants	21,750	-
Exercise of stock options	31,785	2,323
Lease payments (note 10)	(158,700)	(26,450)
<b>Net cash provided by financing activities</b>	<b>15,679,247</b>	<b>23,149,467</b>

<b>Net change in cash</b>	<b>17,162,181</b>	<b>(3,988,160)</b>
<b>Cash, beginning of year</b>	<b>17,534,967</b>	<b>21,523,127</b>
<b>Cash, end of year</b>	<b>\$ 34,697,148</b>	<b>\$ 17,534,967</b>

**Non-cash transactions**

Cash received for interest	\$ 516,787	\$ 445,182
Cash received for income taxes	\$ -	\$ 65,954

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

## Probe Metals Inc.

### Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars)

#### Equity attributable to shareholders

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total
<b>Balance, December 31, 2017</b>	<b>\$ 74,495,252</b>	<b>\$ 4,598,000</b>	<b>\$ 4,477,902</b>	<b>\$ (54,076,717)</b>	<b>\$ 29,494,437</b>
Private placement (note 12(b)(i))	24,691,201	-	-	-	24,691,201
Warrants (note 12(b)(i))	(2,486,141)	2,486,141	-	-	-
Share issue costs	(1,517,607)	-	-	-	(1,517,607)
Flow-through share premium (note 11(ii))	(5,535,000)	-	-	-	(5,535,000)
Exercise of stock options	7,336	-	(5,013)	-	2,323
Stock options expired	-	-	(29,807)	29,807	-
Warrants expired	-	(4,598,000)	-	4,598,000	-
Share-based payments (notes 14 and 15)	-	-	1,753,922	-	1,753,922
Loss and comprehensive loss	-	-	-	(20,420,156)	(20,420,156)
<b>Balance, December 31, 2018</b>	<b>89,655,041</b>	<b>2,486,141</b>	<b>6,197,004</b>	<b>(69,869,066)</b>	<b>28,469,120</b>
Private placement (note 12(b)(ii))	17,000,000	-	-	-	17,000,000
Warrants (note 12(b)(ii))	(1,207,799)	1,207,799	-	-	-
Shares issue costs	(1,215,588)	-	-	-	(1,215,588)
Flow-through share premium (note 11(iii))	(6,158,000)	-	-	-	(6,158,000)
Exercise of warrants	26,227	(4,477)	-	-	21,750
Exercise of stock options	95,962	-	(64,177)	-	31,785
Stock options expired	-	-	(59,614)	59,614	-
Share-based payments (notes 14 and 15)	-	-	1,011,770	-	1,011,770
Loss and comprehensive loss	-	-	-	(4,959,232)	(4,959,232)
<b>Balance, December 31, 2019</b>	<b>\$ 98,195,843</b>	<b>\$ 3,689,463</b>	<b>\$ 7,084,983</b>	<b>\$ (74,768,684)</b>	<b>\$ 34,201,605</b>

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

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# Probe Metals Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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### 1. Nature of Operations

Probe Metals Inc. (the "Company" or "Probe Metals") was incorporated pursuant to the *Business Corporations Act* (Ontario) under the name "2450260 Ontario Inc." on January 16, 2015. Articles of amendment were subsequently filed on February 3, 2015 to change the name of the Company to "Probe Metals Inc.". The Company's head office is located at 56 Temperance Street, Suite 1000, Toronto, Ontario, Canada, M5H 3V5. The Company's common shares started trading on the TSX Venture Exchange ("TSXV") on March 17, 2015 under the trading ticker symbol "PRB". The Company, a Canadian precious metal exploration company, was formed following the acquisition of Probe Mines Limited by Goldcorp Inc. ("Goldcorp") pursuant to the arrangement announced on January 19, 2015 (the "Arrangement"). With a strong treasury, the Company is focused on executing a business model, namely the acquisition and growth of quality projects through effective exploration and development.

On January 14, 2019, Newmont Goldcorp Corporation successfully arranged a merger acquisition of Goldcorp.

The financial year end of the Company is December 31st.

On June 10, 2016, Probe Metals completed the plan of arrangement with Adventure Gold Inc. ("Adventure") pursuant to which Probe Metals acquired all of the outstanding shares of Adventure (the "Transaction"). Adventure became a private company following the transaction.

Pursuant to the Transaction, Adventure became a wholly-owned subsidiary of Probe Metals. Pursuant to the completion of the Transaction, the Company acquired an additional portfolio of projects in Quebec and Ontario. The acquired portfolio consisted of fifteen (15) properties, the Pascalis, Senore, Beaufor North, Lapaska, Bonfond North and Megiscane-Tavenir properties, collectively forming the Val-d'Or East Project, Detour East and North properties, forming part of the Detour Project, the Casagasic, KLM, Bell-Vezza, Sinclair-Bruneau, Florence and C  r  -113 properties, comprising the Casa-Cameron Project and the Granada Extension Project, and three (3) Option and/or Joint Venture ("JV") properties, the Meunier-144 JV (50/50 JV with Tahoe Resources), the Dubuisson JV with Agnico Eagle Mines Limited ("Agnico") (46.5% Probe Metals/53.5% Agnico) and the Detour Quebec Option with SOQUEM Inc. ("SOQUEM") (SOQUEM earning 25% interest).

Effective July 21, 2016, Probe Metals completed an internal reorganization with its wholly-owned subsidiary, Adventure, pursuant to which Probe Metals amalgamated with Adventure under the *Business Corporations Act* (Ontario) to continue as Probe Metals Inc. The internal reorganization did not affect the existing common shares of Probe Metals held by shareholders.

### 2. Significant Accounting Policies

#### Statement of Compliance

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

The financial statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on a historical cost basis.

The financial statements were authorized for issue by the Board of Directors on April 9, 2020.



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# Probe Metals Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

#### Financial Instruments

IFRS 9 - Financial Instruments ("IFRS 9") includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows.

The Company adopted IFRS 9 in its financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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# Probe Metals Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

#### *Financial Instruments (continued)*

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The following table summarizes the classification under IFRS 9 for each financial instrument:

<b>Financial instruments</b>	<b>Classification</b>
Cash	Amortized cost
Short-term investments	Amortized cost
Trade accounts receivable and other receivables	Amortized cost
Marketable securities	FVTPL
Amounts payable and other liabilities	Amortized cost

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Marketable securities are classified as Level 1.

#### Short-term Investments

Short-term investments consist of GIC with expiry date between 3 to 12 months.

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# Probe Metals Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Computer equipment	30%	Declining balance
Field equipment	30%	Declining balance
Site building	10%	Declining balance
Building	10%	Declining balance
Artwork	-	-

Artwork is not amortized since it does not have determinable useful life.

At each financial position reporting date 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 disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the pre-tax 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 the statement of loss.

Assets that don't have a determinable useful life are not subject to amortization and are tested annually for impairment. None were noted for the current year.

#### Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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## Probe Metals Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies (Continued)

### Leases (continued)

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

### Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

### Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows to present value.

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# Probe Metals Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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### 2. Significant Accounting Policies (Continued)

#### Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a premium on flow-through shares to the statement of loss and comprehensive loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

#### Share-based Payment Transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. 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, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Share-based payments incorporates an expected forfeiture rate of nil.

#### Restricted Stock Unit ("RSU")

Under the RSU Plan, selected employees are granted RSUs where each RSU has a value equal to one Probe Metals common share. RSUs are measured at fair value on the grant date. The fair value of RSUs are recognized as a charge to share-based payments as a general and administrative expense over the vesting period with a corresponding increase in equity. RSUs expected to settle in cash are reclassified as a liability and valued at market.

#### Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

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**Probe Metals Inc.**  
**Notes to Financial Statements**  
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**2. Significant Accounting Policies (Continued)**

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous periods.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, options and RSUs outstanding that may add to the total number of common shares.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting, whereby identifiable assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value recorded as goodwill. If a transaction does not meet the definition of a business combination as per IFRS standards, the transaction is recorded as an acquisition of an asset.

Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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## Probe Metals Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies (Continued)

### Significant Accounting Judgments and Estimates (Continued)

#### Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of trade accounts receivable and other receivables which are included in the statements of financial position.
- Assets' carrying values and impairment charges: In the determination of carrying values and impairment charges, management looks at the higher of: recoverable amount; fair value less costs to sell in the case of assets; and significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- Restoration, rehabilitation and environmental obligations: Management determined there were no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed in the current year that would trigger recognition of the provision in accordance with IAS 37, "Provision".
- Management determines the fair value of warrants and stock options using the Black-Scholes option pricing model.

#### Critical accounting judgments

- Income taxes and recovery of deferred tax assets: The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.
- Valuation of rights-of-use asset and lease liability loan: The Company's lease liability is valued using the present value of the future cash flows. This method is based on underlying factors such as the current interest rate and Company's ability to make all lease payments on a timely basis. Changes in the inputs to the calculation could impact the carrying value of the lease liability and the amount of interest expense recognized in profit or loss.

### New Accounting Standards

On June 7, 2017, the IASB issued IFRIC - 23 Uncertainty Over Income Tax Treatments ("IFRIC 23"). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's financial statements.

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# Probe Metals Inc.

## Notes to Financial Statements

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### 3. Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon securing additional financing.

The Company considers its capital to be equity which at December 31, 2019, totaled \$34,201,605.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than the flow-through contractual obligations (refer to note 20(i)) and Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2019, the Company is compliant with Policy 2.5.

### 4. Financial Risk Management

#### Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

#### (i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Trade accounts receivable and other receivables consist mainly of taxes recoverable. The Company has no significant concentration of credit risk arising from operations. The expected credit loss on the remaining receivables is not material.

#### (ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had cash of \$34,697,148, to settle current liabilities of \$7,255,717. The Company notes that the flow-through share liability which represents \$6,158,000 of current liabilities balance is not settled through cash payment. Instead, this balance is amortized against qualifying flow-through expenditures which are required to be incurred before December 31, 2020. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.



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**Probe Metals Inc.**  
**Notes to Financial Statements**  
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**4. Financial Risk Management (Continued)**

**Financial risk (continued)**

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and quoted prices.

(a) Interest rate risk

The Company has \$34,697,148 cash balances and no interest-bearing debt and was not exposed to interest rate risk. The Company's current policy is to invest excess cash in high yield savings accounts and guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. As a result, the Company's exposure to interest rate risk is minimal.

(b) Foreign currency risk

The Company does not have any significant assets in currency other than the functional currency of the Company, nor has significant foreign currency denominated liabilities, therefore any changes in foreign exchange rates will not give rise to significant changes to the net loss.

(c) Price risk

The Company is exposed to price risk with respect to equity prices and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities.

**Sensitivity analysis**

The Company's marketable securities are denominated in Canadian dollars and are subject to fair value fluctuations. As at December 31, 2019, if the fair value of the Company's marketable securities had increased/decreased by 20% with all other variables held constant, profit and loss for the year ended December 31, 2019, would have been approximately \$927,000 lower/higher. Similarly, as at December 31, 2019, the Company's reported shareholders' equity would have been approximately \$927,000 higher/lower as a result of a 20% increase/decrease in marketable securities.

**5. Trade Accounts Receivable and Other Receivables**

<b>As at December 31,</b>	<b>2019</b>	<b>2018</b>
Sales tax receivable - (Canada)	\$ 480,103	\$ 920,898
Accrued interest receivable	55,797	32,832
Receivable from SOQUEM	4,582	-
	<b>\$ 540,482</b>	<b>\$ 953,730</b>

# Probe Metals Inc.

## Notes to Financial Statements

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(Expressed in Canadian Dollars)

### 6. Marketable Securities

December 31, 2019	Number of shares	Cost	Unrealized loss	Fair market value
GFG Resources Inc. ("GFG")	7,077,883	\$ 3,538,942	\$ (955,514)	\$ 2,583,428
Monarques Gold Corporation ("Monarques")	1,714,285	600,000	(222,857)	377,143
Opus One Resources Inc. ("Opus")	5,000,000	555,000	(305,000)	250,000
QMX Gold Corporation ("QMX")	15,000,000	1,500,000	(75,000)	1,425,000
		<b>\$ 6,193,942</b>	<b>\$ (1,558,371)</b>	<b>\$ 4,635,571</b>

December 31, 2018	Number of shares	Cost	Unrealized loss	Fair market value
Agnico	5,000	\$ 324,850	\$ (50,200)	\$ 274,650
GFG	7,077,883	3,538,942	(2,123,365)	1,415,577
Monarques	1,714,285	600,000	(205,714)	394,286
Opus	5,000,000	555,000	(455,000)	100,000
QMX	15,000,000	1,500,000	(675,000)	825,000
RT Minerals Corp. ("RTM")	2,125	4,676	(4,559)	117
		<b>\$ 6,523,468</b>	<b>\$ (3,513,838)</b>	<b>\$ 3,009,630</b>

During the year ended December 31, 2019, the Company recorded an unrealized gain on marketable securities of \$1,955,467 (year ended December 31, 2018 - unrealized loss of \$5,715,967) and recorded realized gain on marketable securities of \$94,753 (year ended December 31, 2018 - \$nil) in the statements of loss and comprehensive loss.

### 7. Property and Equipment

Cost	Artwork	Computer equipment	Field equipment	Site building	Building	Total
<b>Balance, December 31, 2017</b>	<b>\$ 121,776</b>	<b>\$ 55,030</b>	<b>\$ 203,586</b>	<b>\$ 302,770</b>	<b>\$ 341,211</b>	<b>\$ 1,024,373</b>
Additions	-	10,353	33,647	650	-	44,650
Dispositions	-	-	-	(287,587)	-	(287,587)
<b>Balance, December 31, 2018</b>	<b>121,776</b>	<b>65,383</b>	<b>237,233</b>	<b>15,833</b>	<b>341,211</b>	<b>781,436</b>
Additions	-	4,901	-	-	-	4,901
<b>Balance, December 31, 2019</b>	<b>\$ 121,776</b>	<b>\$ 70,284</b>	<b>\$ 237,233</b>	<b>\$ 15,833</b>	<b>\$ 341,211</b>	<b>\$ 786,337</b>

<b>Balance, December 31, 2017</b>	<b>\$ -</b>	<b>\$ 11,360</b>	<b>\$ 38,740</b>	<b>\$ 39,207</b>	<b>\$ 12,795</b>	<b>\$ 102,102</b>
Depreciation during the year	-	14,284	54,375	21,319	32,838	122,816
Disposition during the year	-	-	-	(44,693)	-	(44,693)
<b>Balance, December 31, 2018</b>	<b>-</b>	<b>25,644</b>	<b>93,115</b>	<b>15,833</b>	<b>45,633</b>	<b>180,225</b>
Depreciation during the year	-	12,288	43,238	-	29,558	85,084
<b>Balance, December 31, 2019</b>	<b>\$ -</b>	<b>\$ 37,932</b>	<b>\$ 136,353</b>	<b>\$ 15,833</b>	<b>\$ 75,191</b>	<b>\$ 265,309</b>

<b>Balance, December 31, 2018</b>	<b>\$ 121,776</b>	<b>\$ 39,739</b>	<b>\$ 144,118</b>	<b>\$ -</b>	<b>\$ 295,578</b>	<b>\$ 601,211</b>
<b>Balance, December 31, 2019</b>	<b>\$ 121,776</b>	<b>\$ 32,352</b>	<b>\$ 100,880</b>	<b>\$ -</b>	<b>\$ 266,020</b>	<b>\$ 521,028</b>

## Probe Metals Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

#### 7. Property and Equipment (Continued)

During the year ended December 31, 2018, the Company sold a site building for cash proceeds of \$285,000 which resulted in a gain on sale of property and equipment of \$42,106.

#### 8. Rights-of-use Asset

	<b>Building</b>
<b>Balance, December 31, 2017</b>	<b>\$ -</b>
Additions	328,658
Depreciation	(10,955)
<b>Balance, December 31, 2018</b>	<b>317,703</b>
Depreciation	(65,732)
<b>Balance, December 31, 2019</b>	<b>\$ 251,971</b>

Rights-of-use asset is depreciated over a 5 year term. Refer to note 10 for further details.

#### 9. Amounts Payable and Other Liabilities

<b>As at December 31,</b>	<b>2019</b>	<b>2018</b>
Amounts payables	<b>\$ 282,252</b>	\$ 604,848
Accrued liabilities	<b>778,239</b>	358,800
Advance payment from SOQUEM	-	26,135
	<b>\$ 1,060,491</b>	<b>\$ 989,783</b>

#### 10. Lease Liability

On November 1, 2018, the Company entered into a 5 year lease agreement to lease an office. The lease payments are \$6,715 and \$6,978 for months one to twenty-four and months twenty-five to sixty, respectively from the commencement date of the lease.

The Company has recorded this lease as a right-of-use asset (note 8) and lease liability in the statement of financial position as at December 31, 2018. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 18%, which is the Company's incremental borrowing rate. Effective interest rate is 42.74%. The continuity of the lease liability is presented in the table below:

	<b>Building</b>
<b>Balance, December 31, 2017</b>	<b>\$ -</b>
Additions	328,658
Interest expense	23,014
Lease payments	(26,450)
<b>Balance, December 31, 2018</b>	<b>325,222</b>
Interest expense	134,452
Lease payments	(158,700)
<b>Balance, December 31, 2019</b>	<b>\$ 300,974</b>

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**Probe Metals Inc.****Notes to Financial Statements****December 31, 2019 and 2018****(Expressed in Canadian Dollars)**

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**10. Lease Liability (Continued)**

<b>Lease maturity</b>	<b>Under 1 year</b>	<b>Between 1 - 2 years</b>	<b>Between 3 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Building	\$ 37,226	\$ 60,194	\$ 203,554	\$ -	\$ 300,974

**11. Flow-Through Share Liability**

Other liability includes the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability of the flow-through shares issuance:

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<b>Balance, December 31, 2017</b>	<b>\$ 1,787,679</b>
Liability incurred on flow-through shares issued (ii)	5,535,000
Settlement of flow-through share liability on incurring expenditures (i)(ii)	(4,567,378)
<b>Balance, December 31, 2018</b>	<b>2,755,301</b>
Liability incurred on flow-through shares issued (iii)	6,158,000
Settlement of flow-through share liability on incurring expenditures (ii)(iii)	(2,755,301)
<b>Balance, December 31, 2019</b>	<b>\$ 6,158,000</b>

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(i) The flow-through common shares issued in the brokered private placement completed on February 28, 2017 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$4,648,624.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the year ended December 31, 2018, the Company satisfied \$1,787,679 of the commitment by incurring eligible expenditures of approximately \$5,200,000 and as a result the flow-through premium has been reduced to \$Nil.

(ii) The flow-through common shares issued in the brokered private placement completed on June 19, 2018 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$5,535,000.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the year ended December 31, 2019, the Company satisfied \$2,755,301 (year ended December 31, 2018 - \$2,779,699) of the commitment by incurring eligible expenditures of approximately \$7,000,000 (year ended December 31, 2018 - \$7,000,000) and as a result the flow-through premium has been reduced to \$Nil.

(iii) The flow-through common shares issued in the brokered private placement completed on December 10, 2019 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$6,158,000.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the year ended December 31, 2019, the Company satisfied \$Nil of the commitment by incurring eligible expenditures of approximately \$Nil and as a result the flow-through premium has been reduced to \$6,158,000.

## Probe Metals Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

#### 12. Share Capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

As at December 31, 2019 the issued share capital amounted to \$98,195,843. Changes in issued share capital are as follows:

	Number of common shares	Amount
<b>Balance, December 31, 2017</b>	<b>93,914,742</b>	<b>\$ 74,495,252</b>
Private placement (i)	16,657,566	24,691,201
Warrants (i)	-	(2,486,141)
Flow-through share premium (note 11(ii))	-	(5,535,000)
Share issue costs	-	(1,517,607)
Exercise of stock options	12,637	7,336
<b>Balance, December 31, 2018</b>	<b>110,584,945</b>	<b>89,655,041</b>
Private placement (ii)	10,842,000	17,000,000
Warrants (ii)	-	(1,207,799)
Flow-through share premium (note 11(iii))	-	(6,158,000)
Share issue costs	-	(1,215,588)
Exercise of warrants	15,000	26,227
Exercise of stock options	68,250	95,962
<b>Balance, December 31, 2019</b>	<b>121,510,195</b>	<b>\$ 98,195,843</b>

(i) On June 19, 2018, the Company completed a private placement financing of 7,380,000 flow-through units of the Company ("FT Units") at a price of \$1.90 per FT Unit for gross flow-through proceeds of \$14,022,000 and 8,377,566 non flow-through units of the Company ("Hard Units") at a price of \$1.15 per Hard Unit for gross non flow-through proceeds of \$9,634,201 (together, the "Underwritten Offering"). The Company has also completed a concurrent non-brokered placement of 900,000 Hard Units for gross proceeds of \$1,035,000 (the "Non-Brokered Placement"). The aggregate proceeds from the Underwritten Offering and the Non-Brokered Placement (collectively, the "Offering") total \$24,691,201 for the sale of a total of 16,657,566 FT Units and Hard Units.

Each FT Unit or Hard Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for 2 years from the closing of the Offering (the "Closing") at a price of \$1.45.

The fair value of the 8,328,783 warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$1.15; expected dividend yield of 0%; risk-free interest rate of 2.02%; volatility of 59% and an expected life of 2 years. The fair value assigned to these warrants was \$2,486,141.

The Company also announced that Goldcorp exercised its participation right to maintain its pro-rata interest in the Company. In connection with the Offering, Goldcorp purchased 2,280,000 common shares and 1,140,000 warrants from subscribers to the Offering.

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## Probe Metals Inc.

### Notes to Financial Statements

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#### 12. Share Capital (Continued)

b) Common shares issued (continued)

(i) (continued) In addition, the following transactions occurred with related parties:

- David Palmer, Chief Executive Officer and director of the Company, subscribed for 40,000 Hard Units;
- Marco Gagnon, Executive Vice President of the Company, subscribed for 20,000 FT Units; and
- Patrick Langlois, Vice President - Corporate Development, subscribed for 10,000 Hard Units.

The gross proceeds from the Offering will be used to fund exploration on Probe Metals projects in Québec and for working capital purposes.

The Offering was completed through a syndicate of underwriters led by Sprott Capital Partners, and included Canaccord Genuity Corp., Cormark Securities Inc., Macquarie Capital Markets Canada Ltd., BMO Nesbitt Burns Inc., CIBC Capital Markets, Industrial Alliance Securities Inc., and Mackie Research Capital Corp. In consideration for their services, the underwriters received a cash commission equal to approximately 6 per cent of the gross proceeds of the Offering.

The proceeds from the Offering will be used to fund "Canadian exploration expenses" (within the meaning of the Tax Act) related to the Company's projects in Québec, will qualify for inclusion in both the exploration base relating to certain Québec exploration expenses and the exploration base relating to certain Québec surface mining exploration expenses, as such terms are defined in the Taxation Act (Québec), and will be used for general working capital purposes.

(ii) On December 10, 2019, the Company completed a private placement financing of 7,697,500 flow-through units of the Company ("FT Offering") at a price of \$1.80 per FT Offering for gross flow-through proceeds of \$13,855,500 and 3,144,500 non flow-through units of the Company ("Hard Dollar Unit") at a price of \$1.00 per Hard Dollar Unit for gross non flow-through proceeds of \$3,144,500 (together, the "Financing"). The aggregate proceeds from the Financing total \$17,000,000 for the sale of a total of 10,842,000 FT Offering and Hard Dollar Units.

Each FT Offering and Hard Dollar Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company for 2 years from the closing of the Financing at a price of \$1.30.

The fair value of the 5,421,000 warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$1.00; expected dividend yield of 0%; risk-free interest rate of 1.67%; volatility of 54% and an expected life of 2 years. The fair value assigned to these warrants was \$1,207,799.

The gross proceeds from the Financing will be used to fund exploration on Probe's projects in Québec and for working capital purposes.

The Financing was completed through a syndicate of underwriters co-led by Sprott Capital Partners LP and Canaccord Genuity Corp. and including BMO Nesbitt Burns Inc., Cormark Securities Inc., Mackie Research Capital Corp., Industrial Alliance Securities Inc., and Laurentian Bank Securities Inc. In consideration for their services, the underwriters received a cash commission equal to approximately 6 per cent of the gross proceeds of the Financing.

The proceeds from the Financing will be used to fund "Canadian exploration expenses" (within the meaning of the Tax Act) related to the Company's projects in Québec, will qualify for inclusion in both the exploration base relating to certain Québec exploration expenses and the exploration base relating to certain Québec surface mining exploration expenses, as such terms are defined in the Taxation Act (Québec), and will be used for general working capital purposes. Refer to note 20(i).

## Probe Metals Inc.

### Notes to Financial Statements

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#### 13. Warrants

	Number of warrants	Grant date fair value
<b>Balance, December 31, 2017</b>	<b>6,600,000</b>	<b>\$ 4,598,000</b>
Issued (note 12(b)(i))	8,328,783	2,486,141
Expired	(6,600,000)	(4,598,000)
<b>Balance, December 31, 2018</b>	<b>8,328,783</b>	<b>2,486,141</b>
Issued (note 12(b)(ii))	5,421,000	1,207,799
Exercised	(15,000)	(4,477)
<b>Balance, December 31, 2019</b>	<b>13,734,783</b>	<b>\$ 3,689,463</b>

The following table reflects the warrants issued and outstanding as of December 31, 2019:

Expiry date	Exercise price (\$)	Warrants outstanding	Valuation (\$)
June 19, 2020	1.45	8,313,783	2,481,664
December 10, 2021	1.30	5,421,000	1,207,799
	1.39	<b>13,734,783</b>	<b>3,689,463</b>

#### 14. Stock Options

	Number of stock options	Weighted average exercise price
<b>Balance, December 31, 2017</b>	<b>5,966,937</b>	<b>\$ 0.96</b>
Stock options granted (i)	2,910,000	1.22
Exercise of stock options	(12,637)	0.18
Stock options expired	(25,000)	1.50
<b>Balance, December 31, 2018</b>	<b>8,839,300</b>	<b>1.04</b>
Exercise of stock options	(68,250)	0.47
Stock options forfeited	(59,750)	1.48
<b>Balance, December 31, 2019</b>	<b>8,711,300</b>	<b>\$ 1.05</b>

(i) On June 22, 2018, 2,910,000 stock options were granted to officer, directors and consultants of the Company at an exercise price of \$1.22 per share, expiring June 22, 2023. Vesting of the stock options is as follows: one-third on day of grant, one-third after one year and one-third after two years. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$1.21; expected dividend yield of 0%; risk-free interest rate of 1.98%; volatility of 61% and an expected life of 5 years. The fair value assigned to these options was \$1,852,797. For the year ended December 31, 2019, the impact on the statement of loss and comprehensive loss was \$601,524 (year ended December 31, 2018 - \$1,104,910).

(ii) The portion of the estimated fair value of options granted in the prior years and vested during the year ended December 31, 2019, amounted to \$30,014 (year ended December 31, 2018 - \$450,561).

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**Probe Metals Inc.****Notes to Financial Statements****December 31, 2019 and 2018****(Expressed in Canadian Dollars)**

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**14. Stock Options (Continued)**

The following table reflects the actual stock options issued and outstanding as of December 31, 2019:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Options outstanding</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Options exercisable</b>	<b>Valuation (\$)</b>
April 27, 2020	0.36	2,350,000	0.32	2,350,000	772,563
December 8, 2020	1.36	29,250	0.94	29,250	23,500
September 1, 2021	1.50	2,720,000	1.67	2,720,000	3,243,007
September 9, 2021	1.76	100,000	1.69	100,000	164,000
June 15, 2022	1.36	90,250	2.46	67,688	102,172
July 10, 2022	1.33	75,000	2.53	50,000	83,115
February 26, 2023	0.75	97,500	3.16	97,500	88,182
June 22, 2023	1.22	2,910,000	3.48	1,940,000	1,852,797
February 14, 2024	0.49	173,550	4.13	173,550	163,320
March 19, 2025	0.26	165,750	5.22	165,750	159,741
		<b>8,711,300</b>	<b>2.06</b>	<b>7,693,738</b>	<b>6,652,397</b>

**15. RSU Plan**

During the year ended December 31, 2018, the Company adopted a RSU plan. The RSU plan provides for a fixed maximum limit of 7,000,000 RSUs.

The grant date fair value of the RSU equals the fair market value of the corresponding shares at the grant date. The fair value of these equity-settled awards is recognized as compensation expense with a corresponding increase in equity. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

During the year ended December 31, 2019, the Company granted Nil RSUs (year ended December 31, 2018 - 935,000 RSUs) to officers, directors and key employees under its RSU plan. The RSUs will vest in full three years from the date of grant. Compensation for the year ended December 31, 2019 was \$380,232 (year ended December 31, 2018 - \$198,451) and was recorded as share-based payments in the statement of loss and comprehensive loss.

As at December 31, 2019, there were 935,000 RSUs outstanding (December 31, 2018 - 935,000). The weighted average fair value of the RSUs granted during the year ended December 31, 2019 was \$nil per common share (year ended December 31, 2018 - \$1.22).

**16. Net Loss Per Share**

The calculation of basic and diluted loss per share for the year ended December 31, 2019 was based on the loss attributable to common shareholders of \$4,959,232 (year ended December 31, 2018 - \$20,420,156) and the weighted average number of common shares outstanding of 111,500,465 (year ended December 31, 2018 - 102,822,957). Diluted loss per share did not include the effect of stock options, warrants and RSUs as they are anti-dilutive.



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**Probe Metals Inc.****Notes to Financial Statements****December 31, 2019 and 2018****(Expressed in Canadian Dollars)**

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**17. Exploration and Evaluation Expenditures**

	Year ended December 31,	
	2019	2018
<b>Transaction properties</b>		
Val-d'Or East Project (iii)(iv)(v)(vi)	\$ 6,994,240	\$ 13,723,039
Detour Project (iii)(vi)	665,053	1,357,923
Casa-Cameron Project (iii)	61,429	54,067
	<b>\$ 7,720,722</b>	<b>\$ 15,135,029</b>
<b>Arrangement properties</b>		
Black Creek Property	\$ 2,893	\$ 6,812
Tamarack-McFauld's Lake Property	3,442	18,545
Victory Property	30,430	-
	<b>\$ 36,765</b>	<b>\$ 25,357</b>
<b>Acquired properties</b>		
West Porcupine Property (i)(ii)(vii)	\$ -	\$ 42,639
Millen Mountain Property (viii)	4,543	381,551
	<b>\$ 4,543</b>	<b>\$ 424,190</b>
<b>Other</b>		
Project Generation	\$ 30,662	\$ 27,660
<b>Exploration and evaluation expenditures</b>	<b>\$ 7,792,692</b>	<b>\$ 15,612,236</b>

	Year ended December 31,	
	2019	2018
<b>Transaction properties</b>		
<b>Val-d'Or East Project</b>		
Advanced exploration	\$ 610,316	\$ 318,883
Drilling	4,291,669	10,135,201
Environment	-	41,908
General field expenses	202,682	725,407
Geochemical	44,719	229,074
Geology	538,562	478,624
Geophysics	1,122,080	1,524,660
Metallurgical testwork	148,611	194,894
Option payment and staking claims	32,253	63,800
Social and community	3,348	10,588
	<b>\$ 6,994,240</b>	<b>\$ 13,723,039</b>

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**Probe Metals Inc.**

Notes to Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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**17. Exploration and Evaluation Expenditures (Continued)**

	Year ended December 31,	
	2019	2018
<b><u>Transaction properties (continued)</u></b>		
<b>Detour Project</b>		
Drilling	\$ 85	\$ 1,097,722
General field expenses	-	10,990
Geochemical	29,296	4,154
Geology	24,545	8,402
Geophysics	592,572	258,203
Option payment and staking claims	27,727	13,127
Operator of exploration project	(9,172)	(34,675)
	<b>\$ 665,053</b>	<b>\$ 1,357,923</b>
<b>Casa-Cameron Project</b>		
Drilling	\$ -	\$ 60
General field expenses	-	858
Geochemical	27,378	2,016
Geology	4,924	33,433
Geophysics	24,105	375
Option payment and staking claims	5,022	17,325
	<b>\$ 61,429</b>	<b>\$ 54,067</b>
<b><u>Arrangement properties</u></b>		
<b>Black Creek Property</b>		
Geology	\$ 2,139	\$ 6,058
Other	754	754
	<b>\$ 2,893</b>	<b>\$ 6,812</b>
<b>Tamarack-McFauld's Lake Property</b>		
Geology	\$ 3,442	\$ 3,796
Geophysics	-	14,749
	<b>\$ 3,442</b>	<b>\$ 18,545</b>
<b>Victory Property</b>		
General field expenses	\$ 28,291	\$ -
Geology	2,139	-
	<b>\$ 30,430</b>	<b>\$ -</b>

# Probe Metals Inc.

## Notes to Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

### 17. Exploration and Evaluation Expenditures (Continued)

	Year ended December 31,	
	2019	2018
<b>Acquired properties</b>		
<b>West Porcupine Property</b>		
General field expenses	\$ -	\$ 7,554
Geochemical	-	478
Geology	-	2,020
Geophysics	-	9,054
Social and community	-	23,533
	\$ -	\$ 42,639
<b>Millen Mountain Property</b>		
Drilling	\$ -	\$ 248,526
General field expenses	3,299	107,241
Geochemical	-	38
Geology	244	15,654
Option payment and staking claims	1,000	92
Social and community	-	10,000
	\$ 4,543	\$ 381,551
<b>Other</b>		
<b>Project Generation</b>		
Consulting	\$ 9,100	\$ 12,025
Other	8,772	3,188
Travel, accommodation	12,790	12,447
	\$ 30,662	\$ 27,660
<b>Exploration and evaluation expenditures</b>	<b>\$ 7,792,692</b>	<b>\$ 15,612,236</b>

(i) On February 25, 2016, the Company announced that it had acquired 100% of the West Porcupine Property held by White Metal Resources Corp. ("White Metal"). The West Porcupine Property represents a land package of approximately 30 square kilometres and is located between Goldcorp's Borden Gold project and the town of Timmins, Ontario.

Under the terms of the agreement, White Metal received a cash payment of \$120,000 in exchange for 100% ownership of the West Porcupine Property. White Metal will maintain a 1% net smelter return royalty ("NSR") over the West Porcupine Property, which can be purchased by the Company, at any time, for \$1 million.

(ii) On February 29, 2016, the Company announced that it had acquired a 100% undivided interest in the Ross Property comprising 15 mining claims. The 17 square kilometre property represents the northern extension to the newly acquired West Porcupine Property.

Under the term of the agreement, the vendors received a cash payment of \$60,000 in exchange for 100% ownership of the property. The vendors will maintain a 2% NSR, which can be purchased by the Company, at any time, for \$3 million.

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## Probe Metals Inc.

### Notes to Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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#### 17. Exploration and Evaluation Expenditures (Continued)

(iii) On June 10, 2016, the Company completed the Transaction with Adventure. Pursuant to the completion of the Transaction, the Company acquired an additional portfolio of projects in Quebec and Ontario. The acquired portfolio consisted of fifteen (15) properties, the Pascalis, Senore, Beaufor West, Beaufor North, Lapaska and Megiscane-Tavenir properties, collectively forming the Val-d'Or East Project, Detour East and North properties, forming part of the Detour Project, the Casagasic, KLM, Bell-Vezza, Sinclair-Bruneau, Florence and C  r  -113 properties, comprising the Casa-Cameron Project and the Granada Extension Project, and three (3) Option and/or JV properties, the Meunier-144 JV (50/50 JV with Tahoe Resources), the Dubuisson JV with Agnico (46.5% Probe Metals/53.5% Agnico) and the Detour Quebec Option with SOQUEM (SOQUEM earning 50% interest).

Details regarding each project is outlined below:

##### 1) Val-d'Or East / Beaufor North, Val-d'Or East / Beaufor West, Val-d'Or East / Lapaska and Dubuisson:

On February 26, 2007, Adventure signed an agreement with Q.E.X. Resources Inc. whereby Adventure acquired a 100% interest in four properties: Beaufor West, Beaufor North, Lapaska and Dubuisson, situated in the north-western part of Qu  bec. Beaufor North is not subject to any royalty NSR. Beaufor West is subject to a 1.5% NSR, shared equally between Albert Audet and Geotest Corporation Ltd., and affecting also all claims acquired through staking within two miles of the property. Lapaska is subject to a 5% NSR on one claim payable to Bernard Charlebois. Dubuisson is subject to a royalty of \$25 per ounce on the first 30,000 ounces of gold extracted from the property and thereafter subject to a 2% NSR royalty, of which half (1%) may be purchased by paying \$500,000 within two (2) years after commercial production, with a right of first refusal of ninety (90) days on the second half.

On July 1, 2010, Adventure entered into an option agreement with Agnico, whereby Agnico acquired a 51% interest in the Dubuisson property. Also, under the terms of the agreement, Agnico acquired in 2015 an additional 2.711% interest in the Dubuisson property by spending \$774,600 in exploration work.

On July 21, 2016, the Company announced that it completed the agreement with Vaaldiam Mining Inc. ("Vaaldiam"), wholly-owned subsidiary of Orion Resources Partners LP, to buy back a 20% proceeds of production royalty (the "Royalty") covering certain mineral claims at the Company's Val d'Or East Project and the current mineral resources contained within the project's boundaries. Under the terms of the agreement, Probe Metals issued on July 12, 2016, 500,000 common shares valued at \$545,000 in consideration for the Royalty. The transaction has received all necessary approvals, including the approval of the TSXV.

On September 14, 2016, the Company announced that it acquired from Richmond Mines Inc. ("Richmont") a 100% interest in six mining claims contiguous to the Company's Val d'Or East Project, Quebec. The claims are located immediately west of the Company's New Beliveau deposit. In consideration of the six claims, the Company transferred four isolated mining claims, comprising its Beaufor West property, to Richmont. The claims are located wholly within Richmont's Beaufor Project and were considered non-core to the Val-d'Or East project. In accordance with the Company's accounting policy to expense exploration and evaluation expenditures the transaction was determined to have a value of \$nil.

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## **Probe Metals Inc.**

### **Notes to Financial Statements**

**December 31, 2019 and 2018**

**(Expressed in Canadian Dollars)**

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#### **17. Exploration and Evaluation Expenditures (Continued)**

(iii) (continued)

##### **2) Val-d'Or East / Pascalis-Colombière:**

On March 17, 2008, Adventure acquired a 100% interest in Pascalis-Colombière gold property located northeast of Val-d'Or, Québec. The property is subject to a 2% NSR of which half (1%) may be purchased at any time by Adventure for \$1 million. The property is also subject to a 1% gross sale royalty on five mining claims and a 20% net proceeds of production royalty on 28 other mining claims, payable to Alain Garneau and Vaaldiam, respectively.

On September 11, 2012, Adventure acquired a 100% interest in 43 claims located in the Pascalis-Colombière property. The property is subject to a 2% NSR. Adventure shall have the right to purchase 1% of the NSR at any time by paying \$1,000,000. In February 2013, Adventure acquired 100% interest in the property by fulfilling its obligations.

On October 3, 2012, Adventure acquired a 100% interest in 8 additional claims from two independent prospectors. The property is subject to a 2% NSR. Adventure shall have the right to purchase 1% of the NSR at any time by paying \$1,000,000.

##### **3) Val-d'Or East / Senore:**

On July 8, 2008 and amended on June 30, 2011, Adventure entered into an option agreement with Peter Bambic (the "Optionor") in order to acquire a 100% interest in the Senore property, located 22 kilometers northeast of Val-d'Or.

In January 2012, Adventure acquired 100% interest in the property by fulfilling its obligations.

The Optionor retains a 3% NSR on two mining claims and 2% NSR on the balance of the property. Adventure has the right to buy back at any time 50% of the NSR for, \$2,000,000 and \$1,000,000, respectively.

##### **4) Timmins West / Meunier-144:**

On July 8, 2008, and as amended on June 1, 2009, and May 5, 2010, Adventure entered into an option agreement with a group of prospectors in order to acquire a 100% interest in the Meunier 144 gold property located 19 kilometers west of Timmins, Ontario.

The property is also subject to a 2.5% NSR of which a 1% NSR may be purchased at any time by Adventure for \$2,000,000. Also, under the terms of the agreement, Adventure is subject to a payment of \$2,000,000 in the case where a pre-feasibility study conducted on the property could indicate the potential for commercial production of at least 1 million ounces of gold.

On May 5, 2010, Adventure entered into an option agreement with RTM and Lake Shore Gold Corp. ("LSG") whereby RTM can acquire up to 50% of Adventure's right, title and interest in the Meunier 144 property. On June 30, 2011, RTM acquired 25% interest in the property by fulfilling its obligations.

On April 5, 2012, RTM earned an additional 25% interest in the property by fulfilling its obligations.

As part of the agreement, following the exercise of the second option by RTM and for a period of up to 10 years (until May 5, 2020), LSG may acquire from Adventure and RTM a 10% interest in the property by carrying out a Preliminary Resource Assessment on any NI 43-101 resources identified by RTM or Adventure on the property and by reimbursing RTM and/or Adventure for any costs associated with the initial NI 43-101 report.

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## **Probe Metals Inc.**

### **Notes to Financial Statements**

**December 31, 2019 and 2018**

**(Expressed in Canadian Dollars)**

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#### **17. Exploration and Evaluation Expenditures (Continued)**

(iii) (continued)

##### **5) Val-d'Or East / Cadillac Break East Property:**

On November 28, 2016, the Company entered into an option agreement with Alexandria Minerals Corporation ("Alexandria"), whereby the Company may earn up to a 70% interest in the Cadillac Break East Property, located 25km east-southeast of Val d'Or, Quebec. The property is comprised of 232 mining claims totaling approximately 72 square kilometres.

Alexandria was acquired by O3 Mining Inc. which now holds the option agreement.

Consideration payable is summarized as follows:

- The Company may earn a 60% interest in the property by spending an aggregate of \$5,000,000 on exploration expenditures over 4 years;
- The Company issued 300,000 common shares (issued on December 6, 2016 and valued at \$432,000);
- Upon completion of the earn-in requirement, a JV will be formed with the Company' holding a 60% joint venture interest and O3 Mining owning a 40% JV interest;
- The Company may earn an additional 10% (total of 70%) interest in the property by completing a pre-feasibility study, incurring an additional \$2,000,000 in exploration expenditure and issuing 200,000 common shares to O3 Mining on completion of the 70% earn-in requirement;
- Thereafter, each party will be required to contribute to any further programs pro rata according to its JV interest. Should a JV party fail to make any of its required program contributions, its interest will be diluted accordingly. If a party's JV interest is diluted below 10%, its JV interest will be converted to a 2% NSR.

##### **6) Val-d'Or East / Bonnefond North:**

On November 30, 2016, the Company entered into an asset purchase agreement to acquire a 100% interest in the Bonnefond North Property from QMX and its JV partner in exchange for an aggregate cash payment of \$500,000 and a 1% NSR payable in lieu of any right to receive the royalty otherwise issuable pursuant to an historical JV agreement. Bonnefond North is comprise of 37 mining claims.

##### **7) Val-d'Or East / Others:**

Val-d'Or East / Others consist of the following mining claims located in the Abitibi region that Adventure acquired by staking and map-designation in 2008, 2010, 2011 and 2015: Megiscane-Tavernier.

##### **8) Detour Quebec:**

Detour Quebec consists of the following mining claims located in the Abitibi region that Adventure acquired by property option agreement and by staking and map-designation in 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015: Casgrain, Casgrain Extension, Fenelon, Gaudet, Manthet, Martigny, Massicotte and Sicotte.

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## **Probe Metals Inc.**

### **Notes to Financial Statements**

**December 31, 2019 and 2018**

**(Expressed in Canadian Dollars)**

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#### **17. Exploration and Evaluation Expenditures (Continued)**

(iii) (continued)

##### **8) Detour Quebec (continued):**

On February 22, 2012, Adventure acquired a 100% interest in 45 claims located in the Massicotte property from Globex Mining Enterprises Inc. ("Globex"). The claims are subject to a 2.5% Gross Metal Royalty ("GMR"). Adventure shall have the right to purchase 1.5% of the GMR at any time by paying \$1,500,000. In addition, Adventure agreed to transfer 100% of its right on the Realore property (11 claims) located 50 kilometres east of Val-d'Or. Adventure will retain 2% GMR on the Realore claims and Globex shall have the right to purchase 1.0% of the GMR at any time by paying \$500,000. In addition, Adventure acquired a 100% interest in 21 additional claims located in the Massicotte property from independent prospectors.

On April 18, 2012 and amended on July 14, 2014, Adventure entered into an option agreement with a group of prospectors (the "Prospectors") in order to acquire a 100% interest in 353 claims which 72 claims located in the Casgrain property, 262 claims located in Gaudet property and 19 claims located in the Martigny property. The 353 claims are subject to a 1.5% NSR shared equally between two prospectors. Adventure shall have the right to purchase a 1% of the NSR at any time by paying a total of \$1,000,000 to two Prospectors.

On October 6, 2015, Adventure entered into an option agreement with SOQUEM, whereby SOQUEM can acquire a 50% interest in its central and western Detour Quebec gold properties, currently wholly-owned by Adventure, by making exploration work of \$4,000,000 over a period of four years, which \$1,000,000 of exploration work must be incurred during the first year. The properties under option by SOQUEM total 531 claims covering an area of 286 square kilometres. Adventure will be the operator during the option period and will receive an operator's fee up to 10% of exploration expenditures funded by SOQUEM. A joint venture will be created once the option has been exercised.

On September 25, 2017, the Company amended the terms of the option agreement with SOQUEM. Under the new terms of the option agreement exploration work commitments were amended to be \$6,000,000 by the Company and \$2,000,000 by SOQUEM. The Company also amended its existing joint venture agreement with SOQUEM into a 75-25 joint venture agreement on its Detour Project. Under the terms of the amended agreement, Probe Metals will own 75% interest and SOQUEM 25%. Probe Metals will remain the operator and each party will be responsible for funding its proportionate share of expenditures on the Project.

##### **9) Casa Cameron:**

On August 12, 2009, Adventure acquired from five independent prospectors (the "Vendors"), a 100% interest in the Bruneau Gold Property, located 45 kilometers southeast of Matagami, Québec. An area of interest in this property is subject to a 2% NSR in favour of the Vendors, of which 1% can be bought back by Adventure at any time by paying the Vendors \$500,000.

On April 27, 2012, Adventure acquired a 100% interest in 41 claims located in the Florence property from Ressources Cartier Inc. These claims are subject to a 1% NSR. Adventure shall have the right to purchase the 1.0% NSR at any time by paying \$250,000.

Other Casa Cameron properties consist of the following mining claims that Adventure acquired by staking and map-designation in 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015, located in the north-western part of Québec, in the Abitibi region: Bachelor, Bell-Vezza, Casagasic, Céré, Florence, KLM, Vezza Extension and Vezza North.

In February 2011, Adventure entered into an option agreement with Société d'exploration minière Vior Inc. ("Vior"), whereby Vior acquired an exclusive option of 100% interest of Bourniol property in 12 claims located in the district of Abitibi, by paying \$7,500 in cash payment and a 2% NSR. Vior retains the right, at any time to purchase 1 of the 2 percentage points of the royalty by paying Adventure the sum of \$1,000,000.

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**Probe Metals Inc.****Notes to Financial Statements****December 31, 2019 and 2018****(Expressed in Canadian Dollars)**

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**17. Exploration and Evaluation Expenditures (Continued)**

(iii) (continued)

**9) Casa Cameron (continued):**

On December 12, 2013 and amended on April 28, 2015, Adventure has entered into an option agreement with Opus. Under the terms of the agreement, Opus has acquired an exclusive option to earn between 51% ("First Option") and 100% ("Second Option") interest in 446 claims covering an area of 22,189 hectares or 222 km<sup>2</sup> known as Adventure's Casa Cameron properties for exploration expenditures, common shares and payments totalling up to \$12,500,000. Adventure will act as operator for the First Option and will receive an operator's fee equal to 10% of exploration expenditures funded by Opus.

To earn its 51% interest as per the First Option, Opus must make cash payments, issue common shares and incurred exploration expenses in the following timelines:

	<b>Cash payments</b>	<b>Shares</b>	<b>Exploration expenses</b>
On December 12, 2013	\$ 250,000 <sup>(1)</sup>	2,000,000 <sup>(2)</sup>	\$ -
On April 28, 2015	50,000 <sup>(3)</sup>	-	-
On or before February 28, 2017	-	-	2,000,000
On or before April 29, 2017 <sup>(4)</sup>	1,200,000	-	-
On or before February 29, 2020	-	-	3,000,000
	<b>\$ 1,500,000</b>	<b>2,000,000</b>	<b>\$ 5,000,000</b>

(1) This cash payment was received on the date noted in the agreement.

(2) These common shares were issued on February 4, 2014 at a price of \$0.25 per share.

(3) This cash payment was received on May 6, 2015.

(4) \$1,200,000 in cash or, at the election of Opus, in common shares of Opus at a price per share equal the greater of the volume weighted average closing price of the common shares of Opus calculated over a period of thirty (30) days before the date a payment is to be made ("VWAP") or the last closing price of the common shares of Opus on the TSXV before the date of the news release announcing the issuance such common shares less the applicable discount as permitted by the policies of the TSXV, subject to a minimum cash payment to Adventure of \$200,000.

To earn an additional 49% interest as per the Second Option, Opus must make cash payments and/or issue common shares in the following timeline:

	<b>Cash payments</b>
On the delivering date (on or before April 29, 2020) of the Second Option notice to Adventure	\$ 5,500,000 <sup>(1)</sup>
	<b>\$ 5,500,000</b>

(1) \$5,500,000 in cash or, at the election of Opus, in common shares of Opus at a price per share equal the greater of (i) the VWAP or (ii) the last closing price of the common shares of Opus on the TSXV before the date of the news release announcing the issuance such common shares less the applicable discount as permitted by the policies of the TSXV, subject to a minimum cash payment to Adventure of \$500,000. Opus will grant to Adventure a production royalty on the properties and, as the case may be, any additional properties, equal to 2% NSR, provided that half of the production royalty (1% NSR) can be bought back at any time by Opus, at its sole discretion, for an amount of \$1,000,000.



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## Probe Metals Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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#### 17. Exploration and Evaluation Expenditures (Continued)

(iii) (continued)

##### 9) Casa Cameron (continued):

On July 27, 2016, the Company announced that it completed the agreement to sell three blocks of mining claims forming part of the Casa Cameron Property, being the Vezza Extension Property, the Vezza North Property and the Bachelor Extension Property (each a "Property" and together, the "Properties") to Opus.

Pursuant to the agreement, in consideration for the Properties, Opus issued to Probe Metals 3,000,000 common shares valued at \$375,000 (received in July 2016). Upon closing, Opus granted to Probe Metals a 2% NSR over the Properties, of which 1% can be purchased by Opus, at any time, for \$1,000,000. Additionally, Probe Metals and Opus terminated the option agreement dated December 11, 2013, pursuant to which Opus had the right to earn a 100% interest in the Casa-Cameron Project. In consideration for termination of the option agreement, Opus paid Probe Metals an amount of \$275,000 (\$175,000 in July 2016 and \$100,000 in November 2016) to keep the mining claims in the Casa-Cameron Project in good standing for 2016 and 2017. The cash received by Opus was offset by the balance due from Opus to the Company for a total of \$181,391.

##### 10) Granada Extension:

On September 21, 2010 and amended on October 8, 2010, Adventure signed an option agreement with two individuals (the "Individuals") in order to acquire a 100% interest in three of the eleven claims acquired by Adventure. The Granada Extension property covering approximately 200 hectares, is located along the Cadillac Larder Lake Gold Break, in the Rouyn-Noranda mining camp, Québec.

In August 2014, Adventure acquired 100% interest in the property by fulfilling its obligations:

	Cash payments	Shares	Warrants
On October 5, 2010	\$ 10,000 <sup>(1)</sup>	-	-
On October 27, 2010	-	150,000 <sup>(2)</sup>	150,000 <sup>(3)</sup>
On or before August 31, 2011	10,000 <sup>(1)</sup>	-	-
On or before August 31, 2012	10,000 <sup>(1)</sup>	-	-
On or before August 31, 2013	10,000 <sup>(1)</sup>	-	-
On or before August 31, 2014	10,000 <sup>(1)</sup>	-	-
	<b>\$ 50,000</b>	<b>150,000</b>	<b>150,000</b>

The Individuals retains a 1.5% NSR on three mining claims. Adventure has the right to buy back at any time a 0.5% of the NSR for \$500,000.

The Company decided not to pursue the additional 2.5% interest.

(iv) On January 16, 2017, the Company entered into a binding option agreement with Richmond Mines Inc., whereby Probe Metals may earn a 60% interest in the Monique Property, located 25 km east-southeast of Val-d'Or, Quebec. The Monique Property is comprised of 22 mining claims and will be part of the Company's Val-d'Or East Project.

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## Probe Metals Inc.

### Notes to Financial Statements

December 31, 2019 and 2018

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#### 17. Exploration and Evaluation Expenditures (Continued)

(iv) (continued)

To earn its 60% interest, the Company must incur exploration expenses in the following timelines:

	<b>Exploration expenses</b>
On or before January 16, 2018 <sup>(1)</sup>	\$ 500,000
On or before January 16, 2019 <sup>(2)</sup>	500,000
On or before January 16, 2020 <sup>(2)</sup>	500,000
On or before January 16, 2021	500,000
	<b>\$ 2,000,000</b>

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<sup>(1)</sup> On September 13, 2017, the parties agreed to add an extension of three months to April 16, 2018

<sup>(2)</sup> Incurred

Subsequent to year end, the Company purchased 100% ownership in the Monique Property. Refer to note 23(ii) for more details.

The Company also announced that it has acquired a 100% undivided interest in the Boudrias Property comprising 12 mining claims staked by Mr. Dean Boudrias, a Val-d'Or prospector. The Boudrias Property represents the northern extension of the Monique Property and the eastern extension of the Bonnefond North Property, recently acquire from QMX.

(v) On July 26, 2017, the Company announced that it completed the purchase of the Aurbel East Property comprising 22 mining claims from QMX for an aggregate cash payment of \$1,000,000. The property is situated immediately adjacent to the Company's Val d'Or East Project.

(vi) On October 19, 2017, the Company announced the acquisition of the 100% interest in the Courvan Property from Monarques in exchange for an aggregate cash payment of \$400,000. Courvan Property is comprised of 30 mining claims and two mining concessions totalling approximately 11 square kilometres and hosts the past-producing Bussiere Gold Mine.

(vii) On December 21, 2017, the Company announced the completion of the sale of the West Porcupine Property to GFG. Probe Metals sold a 100% interest in the property to GFG in exchange for the issuance of 6,477,883 common shares of GFG (valued at \$3,238,942) (note 6) and Probe Metals has to subscribe for 600,000 common shares of GFG pursuant to a private placement for aggregate gross proceeds of \$300,000 (note 6).

(viii) On April 10, 2017, the Company entered into an option agreement with Legion Metals to acquire a 50% interest in the Millen Mountain Property, Nova Scotia, comprising License 10577 (80 claims). To earn its interest, the Company must spend \$250,000 within 18 months of signing the agreement. Millen Mountain is an early-stage gold exploration project with a number of historic, high-grade showings. To date, the Company has completed preliminary ground surveys on the property. Upon completion of the earn-in requirement, a JV will be formed with the Company' holding a 50% joint venture interest and Legion Metals owning a 50% JV interest. Each party will be required to contribute to any further programs pro rata according to its JV interest. Should a JV party fail to make any of its required program contributions, its interest will be diluted accordingly. If a party's JV interest is diluted below 10%, its JV interest will be converted to a 1% NSR.

On October 3, 2017, the Company entered into an amended agreement. To earn its 50% interest, the Company must spend \$250,000 before October 10, 2019. As per the amended agreement, the Company can acquire a further 25% interest in the property. To earn the additional 25% interest, the Company must (i) within 60 days after October 10, 2019, give notice of its intention to exercise of 75% option, and (ii) on or before October 10, 2019, spend an additional \$250,000. During the year ended December 31, 2019, the Company decided not to exercise the option to earn the additional 25% interest.

## Probe Metals Inc.

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#### 18. General and Administrative Expenses

	Year ended December 31,	
	2019	2018
Salaries and benefits (note 19)	\$ 1,116,203	\$ 956,904
Share-based payments (notes 14, 15 and 19)	1,011,770	1,753,922
Administrative costs	318,723	189,842
Travel and promotion costs	241,759	332,553
Director fees (note 19)	238,538	208,601
Professional fees (note 19)	183,861	324,258
Depreciation	150,816	133,771
Shareholder information	136,013	147,603
Occupancy costs	10,912	122,005
	<b>\$ 3,408,595</b>	<b>\$ 4,169,459</b>

#### 19. Related Party Balances and Transactions

Related parties include the Board of Directors and management, close family and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The below noted transactions are approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) The Company entered into the following transactions with related parties:

	Notes	Year ended December 31,	
		2019	2018
Peterson McVicar LLP ("Peterson")	(i)	\$ 63,659	\$ 76,030
Marrelli Support Services Inc. ("Marrelli Support")	(ii)	\$ 77,916	\$ 77,020
DSA Corporate Services Inc. ("DSA Corp")	(ii)	\$ 12,215	\$ 23,163
DSA Filing Services Limited ("DSA Filing")	(ii)	\$ 6,985	\$ -

(i) Dennis H. Peterson, a director of the Company, controls Peterson which provided legal services to the Company. The amounts charged by Peterson are based on what Peterson usually charges its clients. The Company expects to continue to use Peterson for an indefinite period. As at December 31, 2019, Peterson was owed \$31,438 (December 31, 2018 - \$1,213) and this amount was included in amounts payable and other liabilities.

(ii) During the year ended December 31, 2019, the Company paid professional fees of \$77,916 (year ended December 31, 2018 - \$77,020, respectively) to Marrelli Support, an organization of which Carmelo Marrelli is president. Mr. Marrelli is the Chief Financial Officer of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. As at December 31, 2019, Marrelli Support was owed \$13,924 (December 31, 2018 - \$11,390) and this amount was included in amounts payable and other liabilities.

During the year ended December 31, 2019, the Company paid professional fees of \$12,215 (year ended December 31, 2018 - \$23,163) to DSA Corp, an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA Corp. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2019, DSA Corp was owed \$2,460 (December 31, 2018 - \$1,525) and this amount was included in amounts payable and other liabilities.

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**Probe Metals Inc.**  
**Notes to Financial Statements**  
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**19. Related Party Balances and Transactions (Continued)**

(a) The Company entered into the following transactions with related parties (continued):

(ii) (continued) During the year ended December 31, 2019, the Company paid professional fees of \$6,985 (year ended December 31, 2018 - \$Nil) to DSA Filing, an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA Filing. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2019, DSA Filing was owed \$5,068 (December 31, 2018 - \$Nil) and this amount was included in amounts payable and other liabilities.

(iii) Refer to note 12(b)(i).

The above noted transactions are in the normal course of business and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(b) Remuneration of directors and key management personnel, other than consulting fees, of the Company was as follows:

	Year ended December 31,	
	2019	2018
Salaries and benefits <sup>(i)(ii)</sup>	\$ 1,961,940	\$ 1,559,589
Share-based payments	\$ 824,347	\$ 1,478,706

<sup>(i)</sup> For the year ended December 31, 2019, \$1,215,590 of these costs (year ended December 31, 2018 - \$816,040) are included in general and administrative expenses and \$746,350 (year ended December 31, 2018 - \$743,549) are included in exploration and evaluation expenditures.

<sup>(ii)</sup> The directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services. As at December 31, 2019, officers and directors were owed \$650,536 (December 31, 2018 - \$280,463) and this amount was included in amounts payable and other liabilities.

**20. Commitments**

(i) Pursuant to the terms of flow-through share agreement, the Company is in the process of complying with its flow-through contractual obligations to subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As of December 31, 2019, the Company is committed to incurring approximately \$14 million in Canadian Exploration Expenditures (as such term is defined in the Income Tax Act (Canada)) by December 31, 2020 arising from the flow-through offerings.

**21. Segmented Information**

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

# Probe Metals Inc.

## Notes to Financial Statements

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### 22. Income Taxes

#### (a) Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.8% (2018 - 26.8%) to the effective tax rates is as follows:

	Year ended December 31,	
	2019	2018
Net loss before income taxes	\$ (5,962,542)	\$ (20,420,156)
Expected income tax recovery at statutory rates	(1,584,610)	(5,472,600)
Tax rate changes and other adjustments	30,570	(16,390)
Flow-through renunciation	2,103,450	3,274,280
Share-based compensation	268,880	470,050
Share issue costs	(326,420)	(406,720)
Unrealized gain on marketable securities	(259,830)	765,940
Effect of flow-through shares	(732,250)	(1,105,600)
2017 and 2018 Quebec mining tax credit	(1,003,310)	-
Unrecognized deferred tax benefits	500,210	2,491,040
Income tax recovery	\$ (1,003,310)	\$ -

#### (b) Deferred tax

The following table summarizes the components of deferred tax:

	2019	2018
<b>Deferred tax assets</b>		
Non-capital losses	\$ 61,740	\$ 58,130
<b>Deferred tax liabilities</b>		
Property and equipment	(61,740)	(58,130)
	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

#### (c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	2018
<b>Deferred tax assets</b>		
Non-capital losses	\$ 17,305,770	\$ 13,577,300
Exploration and evaluation expenditures and related tax credits	9,031,040	9,926,200
Investments	1,558,370	3,513,840
Share issuance costs	2,614,880	2,348,760
Leased assets	49,000	7,520
Other temporary differences	55,440	59,570
	\$ 30,614,500	\$ 29,433,190

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## Probe Metals Inc.

### Notes to Financial Statements

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#### 22. Income Taxes (Continued)

(d) Tax loss carry-forwards

Non-capital losses will expire between 2027 and 2039. Share issue costs will be deducted over the next 4 years. The remaining deductible temporary differences may be carried forward indefinitely.

#### 23. Subsequent Events

(i) On February 21, 2020, the Company announced the appointment of Mr. Jamie Horvat to its Board of Directors.

The Company also announced that it granted options to acquire a total of 2,950,000 common shares of the Company to employees, officers, directors and consultants at the exercise price of \$1.17 per share for a period of five years, subject to vesting requirements.

Additionally, the Company granted 1,145,000 RSUs to officers, directors and key employees of the Company under the terms of the Company RSU Plan. Each RSU entitles the holder to acquire one common share of the Company by delivering an exercise notice in accordance with the RSU Plan. The RSUs grant follows the guideline of the RSU Plan.

(ii) As disclosed in note 17(iv), in January 2017, the Company entered into an option agreement with Richmond (which agreement was subsequently acquired by Monarch Gold Corporation) pursuant to which the Company had the right to earn a 60% interest in the property by spending an aggregate of \$2 million on exploration expenditures over 4 years. On February 28, 2020, the Company completed a definitive agreement of purchase and sale (the "Agreement") with Monarch. Pursuant to the Agreement, the Company acquired a 100% interest in the property by issuing 1,275,510 common shares (issued on March 24, 2020) to Monarch for a total value of \$1.5 million based on a 30-day volume weighted average price (VWAP) of \$1.176 per share on the TSXV as of March 2, 2020. The common shares issued have a hold period of four months and one day from closing. The Company will also assume any reclamation liabilities associated with the past-producing Monique open pit mine.

(iii) On March 23, 2020, there were 250,000 options with an exercise price of \$0.36 and expiry date of April 27, 2020 that were exercised for cash proceeds of \$90,000.

(iv) On March 24, 2020, there were 450,000 options with an exercise price of \$0.36 and expiry date of April 27, 2020 that were exercised for cash proceeds of \$162,000.

(v) On April 2, 2020, there were 1,300,000 options with an exercise price of \$0.36 and expiry date of April 27, 2020 that were exercised for cash proceeds of \$468,000.

(vi) The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.