

STRATABOUND MINERALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended December 31, 2019 and 2018



Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
903 - 8th Avenue SW, Suite 620
Calgary AB T2P 0P7
Canada

Independent Auditor's Report

To the Shareholders of Stratabound Minerals Corp.

Opinion

We have audited the consolidated financial statements of Stratabound Minerals Corp. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the consolidated financial statements, which indicates that the Group has a history of losses and an accumulated deficit of \$15,961,054. These conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the Management Discussion and Analysis.

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

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

We obtained the 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 in this auditor's report. We have nothing to report in this regard.



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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



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

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

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

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

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
April 29, 2020

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As At	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 26,076	\$ 377,657
Marketable securities (Note 6)	36,000	60,000
Prepaid expenses	53,551	9,650
GST receivable	72,568	47,745
	<u>188,195</u>	<u>495,052</u>
NON-CURRENT ASSETS		
Property, plant and equipment	971	1,387
Deposit (Note 7)	-	130,000
Mineral exploration and evaluation assets (Note 8)	3,086,102	2,444,800
	<u>\$ 3,275,268</u>	<u>\$ 3,071,239</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	\$ 230,101	\$ 160,985
Loans payable (Note 9)	-	128,030
Flow-through share - other liability (Note 12)	12,111	277,272
	<u>242,212</u>	<u>566,287</u>
NON-CURRENT LIABILITIES		
Rehabilitation provision (Note 8)	13,497	-
	<u>255,709</u>	<u>566,287</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 12)	17,665,020	17,153,280
CONTRIBUTED SURPLUS (Note 12)	1,315,593	1,059,261
DEFICIT	(15,961,054)	(15,707,589)
	<u>3,019,559</u>	<u>2,504,952</u>
	<u>\$ 3,275,268</u>	<u>\$ 3,071,239</u>

Subsequent Events (Note 15)

Approved on behalf of the Board of Directors

Director "R. Kim Tyler"

Director "Hashim Ahmed"

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31,	2019	2018
EXPENSES		
General and administrative (Note 11)	\$ 263,165	\$ 298,443
Share-based compensation (Notes 11, 12)	221,755	52,741
Interest and accretion expense (Note 9)	1,970	21,226
Gain on settlement of accounts payable	(12,569)	(66,834)
Amortization	416	592
TOTAL EXPENSES	474,737	306,168
LOSS FROM OPERATIONS	474,737	306,168
Impairment of marketable securities (Note 6)	(56,000)	(10,000)
Flow-through share income	277,272	-
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	253,465	316,168
BASIC AND DILUTED LOSS PER SHARE		
	\$0.01	\$0.01
Weighted average number of shares:		
Basic and diluted (Note 12)	36,750,460	31,539,891

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

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

	Number of issued and outstanding shares	Share Capital	Contributed surplus	Deficit	Shareholders' Equity
	#	\$	\$	\$	\$
Balance at January 1, 2019	35,037,087	17,153,280	1,059,261	(15,707,589)	2,504,952
Shares issued in private placements (Note 12)	6,988,611	409,203	29,886	-	439,089
Stock-based compensation expense (Notes 11, 12)	-	-	221,755	-	221,755
Shares Issued in respect of E&E properties (Notes 8, 12)	2,007,119	120,427	-	-	120,427
Share issue costs	-	(17,890)	4,691	-	(13,199)
Comprehensive loss for the period	-	-	-	(253,465)	(253,465)
Balance at December 31, 2019	44,032,817	17,665,020	1,315,593	(15,961,054)	3,019,559
Balance at January 1, 2018	27,581,887	15,329,835	941,308	(15,391,421)	879,722
Shares issued in private placements (Note 12)	5,475,827	1,529,753	-	-	1,529,753
Shares Issued upon exercise of options (Note 12)	288,889	88,140	(4,420)	-	83,720
Share-based compensation expense (Notes 11, 12)	-	-	52,741	-	52,741
Shares Issued in respect of Golden Culvert Option (Notes 8, 12)	1,059,322	205,000	-	-	205,000
Shares Issued for conversion of note (Notes 9, 12)	400,000	120,000	(2,728)	-	117,272
Shares Issued for extinguishment of debt (Note 12)	231,162	76,283	-	-	76,283
Share issue costs	-	(195,731)	72,360	-	(123,371)
Comprehensive loss for the period	-	-	-	(316,168)	(316,168)
Balance at December 31, 2018	35,037,087	17,153,280	1,059,261	(15,707,589)	2,504,952

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

STRATABOUND MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	2019	2018
OPERATING ACTIVITIES		
Loss for the year	\$ (253,465)	\$ (316,168)
Items not affecting cash:		
Share-based payment (Notes 11, 12)	221,755	52,741
Impairment of marketable securities (Note 6)	56,000	10,000
Flow through share income	(277,272)	-
Gain on settlement of accounts payable	(12,569)	(66,834)
Amortization	416	592
Interest and accretion expense (Note 9)	1,970	18,030
	<u>(263,165)</u>	<u>(301,639)</u>
Change in non-cash working capital items (Note 5)	<u>(50,973)</u>	<u>(119,873)</u>
Net cash (used in) operations	<u>(314,138)</u>	<u>(421,512)</u>
INVESTING ACTIVITIES		
Acquisition of option on Golden Culvert property (Note 8)	(60,000)	(180,000)
Expenditures on mineral exploration and evaluation assets (Note 8)	(415,444)	(730,776)
	<u>(475,444)</u>	<u>(910,776)</u>
FINANCING ACTIVITIES		
Proceeds from share issuances (Note 12)	451,200	1,703,232
Proceeds from options exercised (Note 12)	-	83,720
Share issue costs	(13,199)	(123,371)
	<u>438,001</u>	<u>1,663,581</u>
Net cash provided by financing activities	<u>438,001</u>	<u>1,663,581</u>
CHANGE IN CASH	(351,581)	331,293
CASH, beginning of year	<u>377,657</u>	<u>46,364</u>
CASH, end of year	<u>\$ 26,076</u>	<u>\$ 377,657</u>

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

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. CORPORATE INFORMATION

Stratabound Minerals Corp. (“Stratabound”) is in the business of acquiring and exploring mineral properties in North America. Stratabound was incorporated under the Business Corporations Act (Alberta) on March 5, 1986, and is listed on the TSX Venture Exchange, having the symbol TSX.V: SB, as a Tier 2 mining issuer and is in the process of exploring its optioned Golden Culvert property in the Yukon Territory, and also holds mineral properties in the province of New Brunswick.

Stratabound has a wholly-owned US subsidiary, Silver Stream Mining Corp, (collectively with Stratabound, “the Company”).

The address of the Company’s principal office is 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7.

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

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretation made by the International Financial Reporting Standards Interpretation Committee (“IFRIC”).

b) Basis of measurement and going concern

The business of exploring for mineral resources involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations. The Company’s ability to repay its loans, to meet its obligations arising from exploration and development activity and to provide working capital for normal operations is dependent upon the existence of economically recoverable reserves; the ability of the Company to continue to secure financial support from the public market; the ability to complete future equity financing; as well as the ability to generate future profitable production or proceeds from the disposition of its properties. The Company has a history of losses, with an accumulated deficit of \$15,961,054 as at December 31, 2019. The Company is dependent on its ability to raise additional funds through equity financing in order to meet the Company’s current liabilities and continue exploring its mineral resources. As there is no assurance the Company will be successful in these efforts, these conditions result in material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

c) Basis of consolidation

The consolidated financial statements are presented in Canadian dollars (“CDN”), which is also the functional currency of the parent. The functional currency is United States dollars (“USD”) for the subsidiary.

These consolidated financial statements include the accounts of Stratabound and Silver Stream. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash includes cash on hand and deposits held with financial institutions.

b) Foreign currency

Both the presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of its wholly owned US subsidiary is the US dollar. The US subsidiary is translated to Canadian dollars, based on the period end exchange rate for assets and liabilities and the translation date for its income and expenditures. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each financial statement reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items that are carried at fair value and were measured in a foreign currency are translated at the rate prevailing at the date when the fair value was determined. Foreign exchange gains and losses on the foregoing transactions are recorded in profit or loss.

c) Mineral exploration and evaluation expenditures

i) Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred. Pre-exploration costs are those incurred prior to obtaining the legal right to explore.

ii) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation ("E&E") expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain E&E expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

iii) Developed and producing properties

Once technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as property, plant and equipment. Once commercial production has commenced, these costs are amortized using the units-of-production method based on proven and probable reserves. Production facilities and equipment are stated at cost and are depreciated using the units-of-production method at rates sufficient to depreciate the assets over their estimated useful lives, not to exceed the life of the mine to which the assets relate.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment

i) Recognition and measurement

On initial recognition, property, plant and equipment are measured at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing the items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii) Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income and expenses in profit or loss.

iv) Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Office equipment	Declining balance at 20%
Computer equipment	Declining balance at 30%

e) Impairment of non-financial assets

Non-financial assets, including E&E assets and property, plant and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ("CGU"). An asset's CGU is the lowest Company of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has determined its CGUs on an area by area basis.

An impairment loss is charged to profit or loss; except to the extent it reverses gains previously recognized in accumulated other comprehensive income.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of non-financial assets (continued)

Management has adopted a policy whereby if it is determined that a property no longer has economic viability (i.e. leases or licenses have expired or will expire in the near future without renewal, future expenditures are not planned for the area or the carrying amount of the asset is unlikely to be recovered in full from development or sale), the Company will immediately derecognize 100% of the costs of the claims.

f) Rehabilitation provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral evaluation and exploration assets. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located. When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in exploration or development of mineral evaluation and exploration assets. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

g) Financial instruments

The Company's financial instruments include cash, marketable securities, and accounts payable and accrued liabilities.

i) Financial assets

For the year ended December 31, 2019, financial assets were initially recorded at fair value and are designated into one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive loss.

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows that are solely the payments of principal and interest. These assets are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issues, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial assets (continued)

The Company measures a loss allowance at an amount equal to the lifetime expected credit loss that results from possible default events over the expected life of accounts receivable and unbilled service revenue.

The Company's financial asset measured at amortized cost is cash. The marketable securities are measured at fair value through profit or loss.

The Company is not yet in the development stage and has no customers.

ii) Other financial liabilities

Financial liabilities are classified as other financial liabilities and comprise accounts payable and accrued liabilities and loans payable. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest payable while the liability is outstanding.

Accounts payable and accrued liabilities represent obligations for goods and services provided to the Company prior to the end of the period which are unpaid. All amounts are unsecured.

h) Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or Company of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. Impairments of equity backed financial assets cannot be reversed. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Provisions

Provisions are liabilities of uncertain timing or amount, measured at the present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and common share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. On unit offerings of common shares and warrants the market price of the common share is recorded to share capital and the residual value to the warrants.

k) Flow-through shares

From time to time the Company will issue flow-through common shares to finance a portion of its exploration program. These shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company splits the flow-through shares 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. When expenses are renounced with the appropriate tax filings made in a prescribed manner to the Government of Canada, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource 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.

l) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, any unrecognized expense is immediately recognized. In addition, the incremental fair value of the options, measured as the difference between the fair value immediately before and after the modification, is charged to the statement of operation and comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Share-based payments (continued)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operation and comprehensive loss, unless they are an expense directly related to the issuance of shares. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by reference to the fair value of the equity instruments issued.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount previously recognized in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Loss per share

The calculation of basic loss per share is based on loss for the year divided by the weighted average number of common shares outstanding for the year. Diluted loss per share is equal to basic loss per share as the effect of potentially dilutive options and warrants would be anti-dilutive as the Company is in a loss position.

n) Government incentives

Government incentives received for mineral property expenditures are accrued when there is reasonable assurance of realization and are applied against the related asset.

o) Revenue recognition

Interest income is recognised in the period in which it is earned.

p) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of operations and comprehensive loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Income taxes (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

q) Accounting standards, amendments and interpretations adopted

The following standard was adopted on January 1, 2019 by the Corporation. There were no adjustments required as a result of adoption of this standard. The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of January 1, 2019.

IFRS 16 - Leases

The new standard which replaces IAS 17, "Leases", addresses the recognition, measurement, presentation and disclosure of leases. IFRS 16 also provides a new approach to lessee accounting, requiring lessees to recognize assets and liabilities for all leases, which will require the Company to recognize a leased asset and a leased obligation, with respect to its lease arrangements for office space. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

r) Accounting standards issued but not yet applied

At the date of approval of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on the new standards, amendments and interpretations that are expected to be relevant to the Company are provided below. Certain other new standards and interpretations have been issued.

i) IFRS 3

Business Combinations ("IFRS 3"), has been amended to revise the definition of a business to include an input and a substantive process that together significantly contributes to the ability to create outputs. The amendments to IFRS 3 is effective for the years beginning on or after January 1, 2020. The Company has determined that the amendments to IFRS 3 will have no impact on the consolidated financial statements.

ii) IAS 1 and IAS 8

IAS 1 - Presentation of Financial Statements, and IAS 8 - Accounting policies, changes in accounting estimates and errors, have been amended to:

- i. Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii. Clarify the explanation of the definition of materials; and
- iii. Incorporate guidance in IAS 1 regarding immaterial information.

The amendments to IAS 1 and IAS 8 are effective for the years beginning on or after January 1, 2020. The Corporation has determined that the amendments to IAS 1 and IAS 8 will have no impact on the consolidated financial statements.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in total comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

a) Exploration and evaluation expenditure

Estimates

In situations where indicators of impairment are present for the Company's mineral E&E assets, estimates of recoverable amount must be determined as the higher of the CGU's estimated value in use or the estimated fair value less costs to sell.

Judgments

Management uses judgment in determining whether or not there are indicators of impairment for its CGUs. The results of management's assessment could result in an impairment test not being performed when indicators did in fact exist, which could impact the valuation of the CGUs' carrying values. Management uses judgement in determining what constitutes a CGU (Note 3d).

The CGUs identified by the Company are as follows:

- a) Bathurst Group
- b) Golden Culvert
- c) McIntyre Brook

During the year, the Company had one reportable segment: exploration properties.

b) Income taxes

Estimates

Deferred tax assets and liabilities are determined using the tax rates expected to be in effect at the time the assets are realized and liabilities settled. The actual tax rate in effect at that time may vary from the expected tax rates.

Judgments

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may differ materially from the amount included in the tax liabilities.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Income taxes (continued)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there will be future taxable profit available against which the unused tax losses can be utilized.

c) Promissory note conversion feature

For a compound financial instrument, the initial carrying amount is allocated to its equity and liability components with the equity component being assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity component on initial recognition is always equal to the fair value of the instrument as a whole with no gains or losses arising from recognizing the components of the instrument separately.

A loan (excluding the conversion feature) will be recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, the loan (excluding the conversion feature) will be measured at amortized cost using the effective interest rate method.

The Company has estimated the effective interest rate based on comparable companies in the market (Note 9).

5. SUPPLEMENTAL CASH FLOW INFORMATION

	2019	2018
Changes in non-cash working capital items		
Prepaid expenses	\$ (43,901)	\$ (9,650)
GST Receivables	(24,823)	(43,881)
Accounts payable and accrued liabilities	81,685	(66,342)
Accounts payable and accrued liabilities related to mineral property evaluation and exploration, and included in the investing activities section of the consolidated statement of cash flows	(63,934)	-
	\$ (50,973)	\$ (119,873)

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

6. MARKETABLE SECURITIES AND TAYLOR BROOK OPTION

In February 2017, the Company granted Bandera Gold Ltd. (now Jaeger Resources Corp.) (“Jaeger”) an option to acquire an 80% interest in the Taylor Brook property (see Note 8) in exchange for 1,000,000 shares of Jaeger at closing and other consideration. At the time of the transaction these shares were valued at \$0.08/share, for total consideration of \$80,000. At December 31, 2017, the fair value of these shares was \$35,000. Jaeger issued an additional 1,000,000 shares to the Company in February 2018 pursuant to the terms of the agreement when the Jaeger shares were valued at \$0.035 per share. In addition to the share issuances, Jaeger assumed the annual renewal fees and work requirements of the Province of New Brunswick. At December 31, 2018, Jaeger was \$33,292 underspent on the work requirements on the property, and the Company filed for and received from the Province of New Brunswick an extension on these requirements. During the second quarter of 2019 the Company and Jaeger agreed upon an amendment to the agreement, whereby the Company allowed Jaeger an extension of the time to complete the required \$500,000 cumulative expenditures until February 2023, in exchange for an additional 1,600,000 shares issued by Jaeger.

Upon acquisition by Jaeger of its 80% interest in the property when all requirements are met, the Company could elect within 90 days to continue in a joint venture with Jaeger, buy back 40% ownership from Jaeger for an amount of 150% of the Exploration Expenditures and renewal payments incurred by Jaeger, or transfer the remaining interest in exchange for a 3% net smelter return (NSR) royalty.

Balance at January 1, 2018	\$	35,000
Marketable securities received		35,000
Impairment based on decline in fair value		(10,000)
Balance at December 31, 2018	\$	60,000
Marketable securities received		32,000
Impairment based on decline in fair value		(56,000)
Balance at December 31, 2019		36,000

7. DEPOSITS

The Company has posted \$130,000 in deposits with the New Brunswick Department of Energy and Mines for reclamation and environmental security in relation to the CNE operation undertaken in 2013. During 2019, \$130,000 of the deposit was returned directly to Bellport to relieve the related promissory note (Note 9).

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

8. MINERAL EXPLORATION AND EVALUATION ASSETS

Balance at January 1, 2018	\$ 1,364,024
Acquisition and renewal costs	730,776
Option payments	180,000
Shares issued for exploration costs	205,000
Disposal of properties (Note 6)	(35,000)
Balance at December 31, 2018	\$ 2,444,800
Acquisition, renewal, and exploration costs	479,378
Provision for rehabilitation costs	13,497
Shares issued for exploration costs	120,427
Option payments	60,000
Disposal of properties (Note 6)	(32,000)
Balance at December 31, 2019	\$ 3,086,102

a) Golden Culvert, Yukon Territory

On December 15, 2017 the Company completed the purchase from South Shore Partnership Inc. (South Shore) to acquire the underlying Option Agreements to acquire 100% ownership of the Golden Culvert and Little Hyland properties comprising 431 mineral claims in the Little Hyland Valley District of the Southeastern Yukon Territory, approximately 205 kilometres north of the town of Watson Lake. At closing the Company paid South Shore \$100,000 cash and issued South Shore's nominees 12,000,000 common shares and 6,000,000 common share purchase warrants, each warrant exercisable at \$0.075 and expiring December 15, 2019. An additional \$100,000 cash payment due April 15, 2018 was made in March 2018, and a required additional share issuance of 5,000,000 shares was made at December 15, 2018 and recorded at the market price of \$125,000. A final share issuance to Southshore of 833,333 shares recorded at the market price of \$50,000 was made on December 12, 2019 completing the final obligation to Southshore and now Stratabound only has obligations directly under the Option Agreement with the Optionors.

On December 5, 2019 the Company announced it had renegotiated the terms of the Option Agreements by way of an amendment. The principal changes were to defer some of the payments from 2019 to later years, provide for Stratabound to receive a 40% interest in the property after the 2021 payment, and to adjust the annual payment date to December 12th of each year. The revised payment schedule is shown below.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

8. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)

The option consists of two individual option agreements, one for the Golden Culvert claims, with a sub-option on the Rubus claims; and one for the Little Hyland claims. Maintenance and exercise of the options will require the following payments to the Optionors:

Payment Date	Golden Culvert	Rubus	Little Hyland
September 27, 2018	\$100,000 (paid)	-	\$60,000 (paid)
December 12, 2019	\$60,000 (paid)	-	\$45,000 (paid)
December 12, 2020	\$100,000	\$75,000	\$130,000
December 12, 2021	\$200,000	\$45,000	\$150,000
December 12, 2022	\$350,000	-	\$200,000

Upon completion of the December 2021 payments, the Company will have earned a 40% interest in the Golden Culvert and Little Hyland claims, and a 100% interest in the Rubus claims. Upon completing the payments and completing the work requirements prior to and including the 5th anniversary of the agreement, the Company will have been deemed to have earned a 100% interest in the property. Except the 2019 Little Hyland payment, the above payments may be made in cash or at the Company's election, up to 50% in Stratabound common shares based on the 30-day weighted average price of Stratabound shares at the date of issuance. The 2018 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$80,000 in cash and 225,989 common shares of the Company issued at a price of \$0.354 per share for \$80,000. The December 2019 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$60,000 in cash and 873,786 common shares of the Company, recorded at the market price of \$52,427.

Exercise of the options will also require fulfillment of work requirements of \$350,000 at each of the Golden Culvert and Little Hyland properties during the period ending September 27, 2022. The Golden Culvert work commitment was fulfilled during 2018. The claims are subject to net smelter return (NSR) royalties aggregating to 2.5% to South Shore and the Optionors.

During 2019, the Company recognized a rehabilitation provision of \$13,497 for trenching performed on the property. This rehabilitation must be completed by the year 2026.

The carrying value of the Golden Culvert property at December 31, 2019 is \$2,553,695 (2018 - \$2,062,594).

b) Bathurst, New Brunswick

The Company holds a 100% interest in 158 units and one mining lease in the Bathurst base metal mining camp in New Brunswick, Canada. The properties include the CNE/Captain Company, CNE Mining Lease and Taylor Brook (see Note 6) claim groups. All are subject to 1% net smelter return on production, with the exception of the portion of the CNE/Captain Group, which is royalty free.

The carrying value of the Bathurst properties at December 31, 2019 is \$426,858 (2018 - \$382,206).

c) McIntyre Brook, New Brunswick

During 2019, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre Gold Project, located approximately 80 kilometres west of Bathurst, New Brunswick. At closing, the Company issued 300,000 common shares to the Optionors recorded at their market value of \$18,000. By the first anniversary of signing the Company has committed to complete \$50,000 in exploration work at the property. Maintenance and exercise of the options will require the following payments to the Optionors:

Payment Date	McIntyre Brook
November 22, 2020	\$15,000
November 22, 2021	\$15,000
November 22, 2022	\$30,000
November 22, 2023	\$40,000

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

8. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)

Upon completion of the fourth anniversary payment the Company will have earned 100% ownership in the McIntyre Brook claim group. The anniversary payments may be made, at the Company's election, up to 50% in shares. This claim is subject to a 2% net smelter return on production; however, the Company may re-purchase 1% of the net smelter return for either \$1,000,000, or increments of \$500,000 per 0.50% net smelter return.

During 2019 the Company completed a small diamond drilling exploration program incurring \$102,549 of expenditures thereby exceeding the entire \$50,000 work commitment required to acquire the property.

The carrying value of the McIntyre Brook property at December 31, 2019 is \$105,549 (2018 - \$nil).

9. LOANS PAYABLE AND TRANSACTIONS WITH LARGEST SHAREHOLDER

On August 25, 2015 the Company borrowed \$250,000 from its largest shareholder, Bellport Resources Ltd., under two notes, to fund water sampling/monitoring and reclamation obligations at the CNE mine site, to pay fines related to the Fisheries Act charges brought against the Company in relation to the CNE mine operations, and to provide for ongoing administration of the Company. A note for \$130,000 was secured by the CNE leases as well as the environmental deposit that had been posted with the Province of New Brunswick. A note for \$120,000 was, at the Company's election, convertible into common shares of the Company. The notes did not bear interest. During September 2017 the Company and Bellport agreed to extend the maturity of the notes from December 31, 2017 to December 31, 2018 in exchange for a reduction in the conversion price of the \$120,000 note from \$0.06 to \$0.05 per share. As a result, the Company realized a charge to contributed surplus on the debt restructuring of \$16,189. During September 2018, the Company elected to convert the \$120,000 note and issued 2,400,000 common shares to Bellport in exchange for extinguishment of the note. At the same time, the Company and Bellport agreed to extend the maturity of the \$130,000 note to June 30, 2019. As a result, the Company realized a debt restructuring charge in interest and accretion expense of \$4,172. During 2019, the New Brunswick Government released the final \$130,000 bond remaining on the CNE Property directly to Bellport extinguishing the remaining debt owed to Bellport by the Company.

As these notes were issued bearing no interest they have been discounted using an anticipated market rate of interest of 10%. The loans were recorded as follows:

Balance at December 31, 2017	\$ 227,273
Accretion expense	18,030
Conversion of \$120,000 note	<u>(117,273)</u>
Balance at December 31, 2018	<u>\$ 128,030</u>
Accretion expense	1,970
Repayment of \$130,000 note	<u>(130,000)</u>
Balance at December 31, 2019	<u>\$ -</u>

Additional equity transactions with Bellport Resources Ltd:

Bellport subscribed for \$20,000 for 363,636 units in a private placement during March 2018. (See Note 12).

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

10. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	December 31, 2019	December 31, 2018
Loss before income taxes	\$ (253,465)	\$ (316,168)
Recovery based on the statutory rate of 27.5% (2018 - 29%)	(69,703)	(91,689)
Net non-deductible expenses	(5,113)	22,524
Change in tax rates	61,736	
Pool balance adjustments	240,718	74,957
Changes in unrecognized deferred tax assets	(227,638)	(5,792)
Total income tax expense / (recovery)	\$ -	\$ -

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	December 31, 2019	December 31, 2018
Mining property	475,437	774,600
Non-capital losses	652,048	575,654
Property, plant and equipment	590	739
Marketable securities	15,263	7,975
Share issue costs	36,957	48,965
	\$ 1,180,295	\$ 1,407,933

As at December 31, 2019, the Company has estimated non-capital losses for Canadian income tax purposes of \$2,371,082 that may be carried forward to reduce taxable income derived in future years, expiring as follows:

Year of Expiry	Taxable Losses
2029	\$ 50,305
2030	436,753
2033	445,423
2034	300,142
2035	34,358
2036	192,058
2037	255,531
2038	364,254
2039	292,258
Total	\$ 2,371,082

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

11. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND RELATED PARTY TRANSACTIONS

Accounts payable, accrued liabilities and related party transactions are broken out between related parties and trade payables.

Compensation awarded to key management included non-cash stock-based compensation of \$221,755 (2018 - \$52,741) along with consulting fees of \$188,000 (2018 - \$78,000). Key management includes the Company's officers and directors. Of these consulting fees paid, a total of \$141,000 (2018 - \$42,300) were capitalized to mineral exploration and evaluation assets. Also included in accounts payable and accrued liabilities at December 31, 2019 is \$111,389 (2018 - \$7,673) owing to officers and directors of the Company for expenses incurred on behalf of the Company and unpaid consulting fees.

Payables that are incurred in the current normal course of business are kept current through the use of funds raised in private placements.

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares, without nominal or par value.

b) Issuance of securities

- i) During March 2018, the Company issued 3,830,036 units valued at \$0.055 per unit in a private placement. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.08 for 24 months from the date of issue. Of these units, 363,636 were issued to Bellport Resources Ltd. The Company issued 86,100 finder's warrants exercisable at \$0.055 for 18 months from the date of issue in connection with the private placement. The fair value of each finders warrant granted estimated using the Black-Scholes pricing model for the issuance of warrants was \$0.0055, using the following assumptions: weighted average life of 1.5 years; risk-free rate of 2.19%; expected volatility of 251%; and, a dividend yield of 0%. All warrants granted vest immediately, and therefore a forfeiture rate of 0% was used.
- ii) During April 2018, the Company issued 1,793,954 units valued at \$0.055 per unit in a private placement, completing the private placement that was begun in March 2018. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.08 for 24 months from the date of issue. Of these units, 1,393,636 were issued to officers and directors and 1,612,136 were issued to settle accounts payable.
- iii) During May 2018, the Company issued 6,546,908 units valued at \$0.055 per unit and 11,681,800 flow-through shares in a private placement. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.08 for 24 months from the date of issue. The Company issued 1,276,009 finder's warrants exercisable at \$0.055 for 18 months from the date of issue in connection with the private placement. The flow through share issuance included a premium of \$233,636, recorded as a liability of the Company. The fair value of each finders warrant granted estimated using the Black-Scholes pricing model for the issuance of warrants was \$0.0348, using the following assumptions: weighted average life of 1.5 years; risk-free rate of 2.32%; expected volatility of 258%; and, a dividend yield of 0%. All warrants granted vest immediately, and therefore a forfeiture rate of 0% was used. The flow through share issuance included a premium of \$233,636, recorded as a liability of the Company.
- iv) During June 2018, the Company issued 275,000 units valued at \$0.055 per unit and 8,727,272 flow-through shares in a private placement. Each unit consisted of one common share and ½ common share purchase warrant. Each warrant is exercisable for one common share at \$0.08 for 24 months from the date of issue. The units were issued to an officer and director and 275,000 were issued to settle accounts payable. The Company issued 654,544 finder's warrants exercisable at \$0.055 for 18 months from the date of issue in connection with the private placement. The fair value of each finders warrant granted estimated using the Black-Scholes pricing model for the issuance of warrants was \$0.0348, using the following assumptions: weighted average life of 1.5 years; risk-free rate of 2.32%;

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

12. SHARE CAPITAL (Continued)

- expected volatility of 258%; and, a dividend yield of 0%. The flow through share issuance included a premium of \$43,636, recorded as a liability of the Company.
- v) During September 2018, the Company issued 1,355,934 common shares to the optionors of the Golden Culvert and Little Hyland options (see Note 8) as part of the consideration for the continuation of the options to September 27, 2019.
 - vi) During September 2018, the Company issued 1,386,972 common shares to certain creditors of the Company in exchange for the extinguishment of \$76,283 of accounts payable liabilities.
 - vii) During September 2018, the Company issued 2,400,000 common shares to Bellport Resources Ltd. to extinguish the debt owed to Bellport under the \$120,000 note (see Note 9).
 - viii) During December, 2018 the Company issued 5,000,000 common shares to nominees of South Shore Partnership Inc. (see Note 8).
 - ix) During June 2019, the Company completed a common share consolidation on the basis of six old shares per one new share. Subsequent to the consolidation, the Company had a total of 35,037,087 outstanding common shares.
 - x) During July 2019, the Company issued 1,777,500 units at a price of \$0.08 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 24 months from the closing at an exercise price of \$0.10 per share. Additionally, the Company issued 1,211,111 flow-through units at a price of \$0.09 per flow-through unit. Each flow-through unit consisted of one common share issued on a flow-through basis and one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 12 months from the closing at an exercise price of \$0.12 per share. The Company issued 84,777 finder's warrants exercisable at \$0.09 for 18 months from the date of issue in connection with the private placement, recorded as a share issue cost of \$4,691. The fair value of each finders warrant granted estimated using the Black-Scholes pricing model for the issuance of warrants was \$0.0553, using the following assumptions: weighted average life of 1.5 years; risk-free rate of 1.51%; expected volatility of 171%; and, a dividend yield of 0%. The flow-through share issuance included a premium of \$12,111 (2018 - \$277,272), recorded as a liability of the Company.
 - xi) During November 2019, the Company issued 300,000 common shares, recorded at their market value of \$18,000, in connection with the acquisition of the McIntyre Brook property (See Note 8).
 - xii) During December 2019, the Company issued 4,000,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.09 per share for 24 months from the date of issue.
 - xiii) During December 2019, the Company issued 873,786 common shares, recorded at their market value of \$52,427, in connection with the 2019 annual option payment on the Golden Culvert property.
 - xiv) During December 2019, the Company issued 833,333 common shares, recorded at their market value of \$50,000, as final payment to the nominees of South Shore Partnership Inc. (see Note 8).

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

12. SHARE CAPITAL (Continued)

c) Stock options

The Company has a stock-based compensation plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. The fair value of each option, for the most recent option grant, was estimated using the Black-Scholes option pricing model for the issuance of options was \$0.0964 using the following assumptions: weighted average life of 5 years (2018 - 5 years); risk-free rate of 1.51% (2018 - 2.20%); expected volatility of 186% (2018 - 349%); and, a dividend yield of 0% (2018 - 0%). All options granted vest immediately, and therefore a forfeiture rate of 0% (2018 - 0%) was used. The Company granted 2,300,000 options during July 2019, including 2,000,000 to officers and directors.

The following table summarizes the stock option transactions:

	Number	Weighted average exercise price
Outstanding at December 31, 2017	1,615,278	\$ 0.372
Exercised	(288,889)	0.290
Expired or cancelled	(381,945)	0.6138
Granted	177,777	0.33
Outstanding at December 31, 2018	1,122,221	\$ 0.301
Granted	2,300,000	0.10
Outstanding at December 31, 2019	3,422,221	\$ 0.166

Options outstanding	Exercise price	Expiry date
555,555	\$ 0.298	April 30, 2020
33,333	0.330	April 30, 2021
500,000	0.300	October 13, 2022
33,333	0.330	June 18, 2023
2,300,000	0.10	July 16, 2024
3,422,221	\$ 0.166	

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

12. SHARE CAPITAL (Continued)

d) Warrants

The following table summarizes the warrant transactions:

	Number	Weighted Average Exercise price
Outstanding at December 31, 2017	2,822,292	0.654
Private placement	1,373,267	0.444
Expired during the year	(1,132,811)	0.93
Outstanding at December 31, 2018	3,062,748	\$ 0.0455
Expired during the year (pre-consolidation)	(52,784)	0.90
Private placement	5,073,388	0.098
Expired during the year (post-consolidation)	(1,972,812)	0.43
Outstanding at December 31, 2019	6,110,540	\$ 0.1651

The following table summarizes the warrants outstanding and exercisable as at December 31, 2019:

Warrants outstanding	Exercise price	Expiry date
319,166	\$ 0.480	March 26, 2020
149,496	0.480	April 12, 2020
545,574	0.480	May 7, 2020
22,916	0.480	June 28, 2020
1,211,111	0.110	July 22, 2020
84,777	0.090	January 22, 2021
1,762,500	0.100	July 22, 2021
15,000	0.100	July 29, 2021
2,000,000	0.090	December 12, 2021
6,110,540	\$ 0.1651	

e) Nature and purpose of equity and reserves

The reserves recorded in equity on the Company's statement of financial position include contributed surplus, and accumulated deficit.

Contributed Surplus is used to recognize the value of stock option grants and share warrants prior to exercise. Any proceeds received prior to the issuance of shares will be recorded as contributed surplus until the shares are issued, at which time the amount will be recognized as share capital.

Accumulated Deficit is used to record the Company's change in deficit from earnings from year to year.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's Finance function. The Board of Directors receive monthly reports from the Company's financial controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk:

- i) Foreign currency risk;
- ii) Interest rate risk;
- iii) Commodity price risk; and,
- iv) Equity price risk.

The Company is exposed to foreign currency risk in that some of its accounts payables are denominated in a foreign currency. Management believes that the Company is not exposed to significant foreign currency risk. In addition, the Company is exposed to equity price risk as a result of its available-for-sale asset (Note 6). Management monitors the equity price of the investment to manage its exposure to the equity price risk.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk include cash and other receivables. Cash is maintained with financial institutions and may be redeemed upon demand; and other receivables are amounts due from the

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Credit risk (continued)

government. Both the financial and government institutions are considered reputable and creditworthy institutions.

The carrying amount of cash represents the maximum credit exposure. The Company has gross credit exposure at December 31, 2019 and December 31, 2018 of \$26,076 and \$377,657, respectively. Management considers that all financial assets held are of good credit quality, and therefore credit risk is not considered significant.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Typically, the Company ensures that it has sufficient cash to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities in conjunction with its daily cash position.

Determination of fair value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, accounts payable and accrued liabilities and short-term loan payable approximate fair value due to their short-term nature. Available-for-sale investments are measured at fair value as the balance is derived from quoted prices in an active market. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair value hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the available-for-sale asset is based on quoted prices and is therefore considered to be Level 1.

STRATABOUND MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

14. CAPITAL MANAGEMENT

The Company considers its capital to comprise share capital, contributed surplus, and accumulated other comprehensive income and deficit. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business.

The Company is not exposed to any externally imposed capital requirements.

15. SUBSEQUENT EVENTS

Subsequent to the year end, the Company issued 600,000 options to new directors of the Company, and 300,000 common shares and 200,000 options to Company management.

In February 2020, the Company issued 590,000 common shares to acquire two new properties, McIntyre-Moose Brook and Gold Brook, which are adjacent to the Company's existing McIntyre Brook property.

- i. In March 2020, the Company has repriced and extended the expiry date of an aggregate 1,037,152 previously issued warrants for an additional one year. These warrants have been repriced, with each whole warrant now entitling the holder to purchase one common share of the Company at an exercise price of \$0.20. These warrants will also contain an acceleration clause, in that if the shares trade at or more than \$0.24 for a 10-day period, the expiry date shall terminate upon 30 days' notice. The following warrants have been affected: 319,166 warrants exercisable at \$0.48 with an expiry date of March 26, 2020;
- ii. 149,496 warrants exercisable at \$0.48 with an expiry date of April 12, 2020;
- iii. 545,574 warrants exercisable at \$0.48 with an expiry date of May 7, 2020; and,
- iv. 22,916 warrants exercisable at \$0.48 with an expiry date of June 28, 2020

The Company announced subsequent to year end that Mr. Rodney Lamond, a Director of the Company, had passed away occurring on March 15, 2020.

Subsequent to year-end, the impact of the COVID-19 pandemic in Canada and on the global economy has increased significantly. If the impacts of COVID-19 continue there could be further impact on the Company, in respect of its efforts to raise additional financing and carry out its planned exploration programs. At this time, the full potential impact of COVID-19 on the Company is not known.