



CLEGHORN MINERALS LTD.

*Financial Statements*

Years ended on March 31, 2017 and 2016

# CLEGHORN MINERALS LTD.

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## FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statements of financial position	5
Statements of comprehensive loss	6
Statements of changes in equity	7
Statements of cash flows	8
Notes to financial statements	9 - 25



# Raymond Chabot Grant Thornton

## Independent Auditor's Report

To the Shareholders of  
Cleghorn Minerals Ltd.

**Raymond Chabot Grant Thornton LLP**

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We have audited the accompanying financial statements of Cleghorn Minerals Ltd., which comprise the statements of financial position as at March 31, 2017 and 2016 and the statements of comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cleghorn Minerals Ltd. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 2 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

1



Val-d'Or  
July 13, 2017

# CLEGHORN MINERALS LTD.

## STATEMENTS OF FINANCIAL POSITION

As at March 31, 2017 and 2016

(in Canadian dollars)

	Notes	March 31, 2017	March 31, 2016
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash	6	768,259	56,256
Amounts receivable from related companies	12	-	68,309
Accounts receivable		5,000	-
Sales taxes recoverable		5,048	342
Prepaid expenses		5,200	681
		<u>783,507</u>	<u>125,588</u>
<b>Non-current</b>			
Exploration and evaluation assets	7	<u>418,132</u>	<u>-</u>
<b>Total assets</b>		<u>1,201,639</u>	<u>125,588</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		13,450	396
Liability component related to the flow-through units	8	<u>197,287</u>	<u>-</u>
<b>Total liabilities</b>		<u>210,737</u>	<u>396</u>
<b>EQUITY</b>			
Share capital	8	1,680,797	880,100
Contributed surplus	9	196,929	115,327
Warrants	8	250,449	-
Deficit		<u>(1,137,273)</u>	<u>(870,235)</u>
<b>Total equity</b>		<u>990,902</u>	<u>125,192</u>
<b>Total liabilities and equity</b>		<u>1,201,639</u>	<u>125,588</u>

Going Concern (Note 2)

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

These financial statements were approved and authorized for issue by the Board of directors on July 13, 2017.

*"Glenn J. Mullan"*

(signed Glenn J. Mullan)

Director

*"Dr. C. Jens Zinke"*

(signed C. Jens Zinke)

Director

# CLEGHORN MINERALS LTD.

## STATEMENTS OF COMPREHENSIVE LOSS

For the years ended on March 31, 2017 and 2016

(in Canadian dollars)

	Notes	March 31, 2017	March 31, 2016
		\$	\$
<b>Operating expenses</b>			
Audit and accounting fees		24,476	12,646
Legal fees		19,057	3,346
Consultant fees		6,795	-
Regulatory and transfer agent fees		19,080	17,618
Shareholder's information		4,547	5,557
Investor relation fees		4,051	-
Office expenses		1,533	714
Representation and travel		498	743
Share-based payments	9	81,602	-
Expenses related to potential Qualifying Transaction	10	11,441	64,709
<b>Operating loss</b>		173,080	105,333
<b>Other expenses (income)</b>			
Interest income		-	(376)
Interest expense		227	119
Reversal of liability component related to the flow-through units		(15,417)	-
		(15,190)	(257)
<b>Net loss and comprehensive loss</b>		157,890	105,076
<b>Basic and diluted net loss per common share</b>		0.012	0.038
<b>Weighted average number of common shares outstanding</b>		13,610,184	2,800,500

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

## CLEGHORN MINERALS LTD.

### STATEMENTS OF CHANGES IN EQUITY

For the years ended on March 31, 2017 and 2016

(in Canadian dollars)

	Notes	Share capital		Warrants	Contributed	Deficit	Total
		Number	\$		Surplus		
<b>Balance on April 1st, 2015</b>		4,400,500	880,100	-	115,327	(765,159)	230,268
Net loss and comprehensive loss		-	-	-	-	(105,076)	(105,076)
<b>Balance on March 31, 2016</b>		4,400,500	880,100	-	115,327	(870,235)	125,192
Issuance of shares as part of an acquisition of mining rights	5	7,888,928	394,446	-	-	-	394,446
Issuance of units under a private placement	8	4,550,000	227,500	227,500	-	-	455,000
Issuance of flow-through units under a private placement	8	3,263,350	163,167	15,731	-	-	178,898
Issuance of shares and warrants as part of a finders fee payment	8	155,840	15,584	7,218	-	(22,802)	-
Cost related to the issuance of units	8	-	-	-	-	(86,346)	(86,346)
Share-based payments	9	-	-	-	81,602	-	81,602
Net loss and comprehensive loss		-	-	-	-	(157,890)	(157,890)
<b>Balance on March 31, 2017</b>		20,258,618	1,680,797	250,449	196,929	(1,137,273)	990,902

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

# CLEGHORN MINERALS LTD.

## STATEMENTS OF CASH FLOWS

For the years ended on March 31, 2017 and 2016

(in Canadian dollars)

	Notes	March 31, 2017	March 31, 2016
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(157,890)	(105,076)
Non-cash profit or loss items			
Share-based payments	9	81,602	-
Reversal of liability component related to the flow-through units		<u>(15,417)</u>	<u>-</u>
		(91,705)	(105,076)
Change in non-cash working capital items			
Amounts receivable from related companies	12	68,309	-
Sales taxes recoverable		(4,706)	4,034
Prepaid expenses		(4,519)	1,250
Accounts payable and accrued liabilities		<u>9,594</u>	<u>(4,786)</u>
		<u>68,678</u>	<u>498</u>
<b>Net cash related to operating activities</b>		<u>(23,027)</u>	<u>(104,578)</u>
<b>INVESTING ACTIVITIES</b>			
Additions to exploration and evaluation assets	7	(30,226)	-
Disposal of NSR	7	5,000	-
Disposal of term deposit		<u>-</u>	<u>125,000</u>
<b>Net cash related to investing activities</b>		<u>(25,226)</u>	<u>125,000</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of units	8	846,602	-
Cost related to the issuance of units	8	<u>(86,346)</u>	<u>-</u>
<b>Net cash related to financing activities</b>		<u>760,256</u>	<u>-</u>
<b>Increase in cash</b>		712,003	20,422
<b>Cash, beginning of year</b>		<u>56,256</u>	<u>35,834</u>
<b>Cash, end of year</b>		<u><u>768,259</u></u>	<u><u>56,256</u></u>
Cash transaction			
Interest received related to operating activities		-	376

Additional cash flow information (Note 13)

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

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

Cleghorn Minerals Ltd., incorporated on February 16, 2010 under the Business Corporations Act of British Columbia (the "Company") is involved in the process of exploring, evaluating and promoting its mineral property and other projects. The head office of the Company is located at 152 Chemin de la Mine École, Val d'Or, Québec, Canada.

Up to August 18, 2016, date of completion of its Qualifying Transaction, the Company was classified as a "Capital Pool Company" ("CPC") for purposes of the policies of the TSX Venture Exchange (the "TSX"). The Company's sole business as a CPC has been to identify and evaluate businesses and assets in order to complete a "Qualifying Transaction" in accordance with the rules of the TSX.

From February 21, 2013 until the completion of Qualifying Transaction, the common shares of the Company were trading on the NEX under the symbol JZZ.H. Following the completion of the Qualifying Transaction the common shares of the Company were transferred to the TSX Venture and are now trading under the symbol JZZ.

### NOTE 2. GOING CONCERN ASSUMPTION AND COMPLIANCE WITH IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, which presumes the Company will continue its operations and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. The use of these principles may not be appropriate. The Company is in its early stages, and as is common with similar companies, it raises financing for its exploration and evaluation activities. During the year ended March 31, 2017, the Company has incurred a net loss and comprehensive loss of \$157,890 (for the year ended March 31, 2016 – \$105,076) and has an accumulated deficit of \$1,137,273 (March 31, 2016 – \$870,235). To date, the Company has financed its cash requirements primarily by issuing common shares or units. The Company's ability to continue as a going concern is subject to its ability to raise additional financing or reduce its expenditure levels. The Company's discretionary activities do have some scope for flexibility in terms of the amount and timing of expenditures, and to a certain extent, expenditures may be adjusted accordingly. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding will be available to the Company or that they will be available on terms acceptable to the Company. These material uncertainties cast significant doubt regarding the ability to continue as a going concern.

The carrying amounts of assets, liabilities and expenses presented in the financial statements and the classification used in the financial statements have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation and evaluation of financial statements

The financial statements are prepared using the significant accounting policies described in the present note. These methods have been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared on a historical cost basis.

#### Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Segment disclosure

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and the Board of Directors.

The Company has determined that it has only one operating segment, the sector of exploration and evaluation of mineral resources. All its exploration and evaluation assets are located in Canada.

#### Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized in the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The Company classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's cash, amounts receivable from related companies and accounts receivable are classified in this category. They are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are measured at amortized cost. The difference between the initial carrying value and the collection value is recognized in profit or loss over the duration of the contract using the effective interest rate method. They are presented in current assets when they are recoverable within 12 months of the end of the period; otherwise they are classified as non-current assets.

If there is objective evidence of an impairment loss, the amount of the loss is equal to the difference between the carrying value of the asset and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying value of the asset is reduced by using an allowance account. When assets are deemed to be uncollectible, they are written off against the allowance account. When the amount of the impairment loss decreases in a subsequent period and when this decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal is limited to the amortized cost that would have been obtained at the date of impairment reversal had the impairment not been recognized. The amount of impairment loss and the amount of the reversal are recognized in profit or loss.

#### Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

#### Financial liabilities at amortized cost

Financial liabilities at amortized cost represent financial liabilities not held for trading. Accounts payable and accrued liabilities are classified in this category. They are initially measured at fair value less transaction costs. Subsequently, they are measured at amortized cost. The difference between the initial carrying amount and the redemption value is recognized in profit or loss over the duration of the contract using the effective interest rate method. They are presented as current liabilities when they are repayable within 12 months following the end of the period; otherwise, they are classified as non-current liabilities.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Provisions

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with the current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

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

At March 31, 2017 and 2016, there is no provision in the statement of financial position.

#### Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of exploration and evaluation costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

#### Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Title to property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

#### *Impairment of exploration and evaluation assets*

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

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

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

- a) the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- b) no further exploration or evaluation expenditures in the areas are planned or budgeted;
- c) no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- d) sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

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

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

#### **Equity**

Share capital represents the amount received on the issue of shares. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

#### *Non-flow-through units placements*

Proceeds from non-flow-through units placements are allocated between common shares and warrants using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Flow-through units placements*

Issuance of flow-through units represents in substance an issue of common shares and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as liability component related to the flow-through units in the statement of financial position. The proceeds received from flow-through units are allocated between shares, warrants and liability component related to the flow-through units using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to their fair value at the date of issuance and the residual proceeds are allocated to liability component related to the flow-through units. The liability component recorded initially on the issuance of shares is reduced, on a pro-rata basis, as the Company fulfills its expenditure renunciation obligation associated with such flow-through units issuances, with an offsetting amount recognized as income. The fair value of warrants is determined using the Black Scholes options pricing model.

A deferred tax liability equal to the tax value of flow-through expenditures renounced is recognized once the Company has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled when eligible expenditures have been incurred and management establishes the intent to make renunciation filings with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

#### *Other elements of equity*

Contributed surplus includes charges related to stock options until such are exercised and charges related to warrants expired.

Warrants includes fair values allocated to the warrants issued. When warrants are exercised, the related cost and fair value are transferred to share capital.

Deficit includes all current and prior period retained profits and losses and issuance costs, net of any underlying income tax benefit from these issuance costs.

#### **Equity-settled share-based payments**

The Company operates an equity-settled share-based payments plan for its eligible directors, officers, employees and consultants. The Company's plan do not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except equity-settled share-based payments to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to Contributed surplus, in equity.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of stock options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if stock options ultimately exercised are different to that estimated on vesting.

Upon exercise of stock options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the stock options recorded in contributed surplus are then transferred to share capital.

#### Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

#### Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the same period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Seed shares of 1,600,000 were excluded from the weighted average number of shares outstanding calculated for the year ended March 31, 2016 because they were considered as contingently issuable shares until the Qualifying Transaction occurs. Seed shares are included in the calculation of the weighted average number of shares outstanding starting August 18, 2016, date of completion of the Qualifying Transaction.

The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and stock options.

#### Accounting standards and interpretations issued but not yet adopted

##### IFRS 9, « Financial instruments »

The IASB previously published versions of IFRS 9, «Financial instruments» that introduced new classification and measurement requirements in 2009 and 2010 and a new hedge accounting model in 2013. In July 2014, the IASB released the final version of IFRS 9, «Financial instruments» which replaces earlier versions of IFRS 9 issued and completes IASB's project to replace IAS 39, «Financial Instruments: Recognition and Measurement».

The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exceptions. Early adoption is permitted. The restatement for the classification and assessment presented for prior periods, particularly with respect to impairment is not required. The Company is still evaluating the impact of this standard on its financial statements.

### NOTE 4. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When preparing financial statements, management undertakes a number of estimates, judgements and assumptions about recognition and measurement of assets, liabilities, income and expenses. These estimates and judgements are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

#### Judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

##### *Recognition of deferred tax assets and measurement of income tax expense*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to use the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Company's ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 4. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

#### *Going concern*

The evaluation of the Company's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the incoming year requires significant judgement based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances. Please refer to Note 2 for further information.

#### **Estimation and assumptions**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### *Impairment of exploration and evaluation assets*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information become available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Management judged that there's no impairment required on the Meech Lake Matachewan Prospect. The Company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep the property. Claims will not expire in the near future and the Company can thus pursue exploration activities on this property and promising results were obtained on this property.

#### *Fair value*

Estimating fair value for stock options, warrants and finder's warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield. The fair value is evaluated using the Black-Scholes pricing model at the date of grant. The Company has made estimates as to the expected volatility, and expected life of stock options, warrants and finder's warrants. The expected volatility is based on the volatility of similar listed companies, over the period of the expected life which is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 5. QUALIFYING TRANSACTION

#### Meech Lake Matachewan Prospect

On August 18, 2016, the Company announced that it had completed the acquisition of the Meech Lake Matachewan Prospect, which serves as the Company's Qualifying Transaction in accordance with the TSX Policy 2.4. The acquisition of the Meech Lake Matachewan Prospect is a non-arm's length transaction that received shareholders approval on June 25, 2015.

As consideration for the property, the Company issued, on the closing of the acquisition, a) an aggregate of 7,888,928 common shares at a deemed price of \$0.05 per share, b) paid to the Vendor a cash consideration of \$5,000 (representing staking fees with respect to the property) and c) granted the Vendor a 3% net smelter royalty ("NSR") on the property. The common shares issued in payment for the acquisition are subject to escrow restrictions in accordance with the policies of the TSX. Refer to Note 7 - Exploration and evaluation assets for a description of the Meech Lake Matachewan Prospect.

Concurrent with the acquisition of the Meech Lake Matachewan Prospect, the Company announced the completion a non-brokered private placement for gross proceed of \$846,602 by issuing 3,263,350 flow-through units, 4,550,000 non flow-through units and 155,840 common shares in payment of finder's fees. Refer to Note 8 for a description of this private placement.

### NOTE 6. CASH

	March 31, 2017	March 31, 2016
	\$	\$
Cash	405,041	56,256
Cash held for exploration expenses	363,218	-
	<u>768,259</u>	<u>56,256</u>

The cash held for exploration expenses represents the balance on flow-through financing not spent according to restrictions imposed by this financing arrangement. The Company has to dedicate these funds to mining properties exploration and has until December 31, 2017 to fulfill these requirements. There is no guarantee that expenses incurred will be eligible.

### NOTE 7. EXPLORATION AND EVALUATION ASSETS

On January 5, 2015, the Company entered into a Mineral Claim Purchase Agreement, as amended and restated on April 1, 2015 and further amended and restated on May 14, 2015, with 2973090 Canada Inc. (the "Vendor") to acquire a 100% undivided interest in the Meech Lake Matachewan Prospect. The acquisition was completed on August 18, 2016. The Meech Lake Matachewan Prospect consists of three (3) mining claims situated in the Argyle, McNeil and Robertson Townships, approximately 25 km Northwest of Matachewan, in Northeastern Ontario.

Pursuant to the acquisition agreement, the Company granted the vendor a 3% NSR on metals or minerals (iron, titanium, vanadium, gold, silver, copper, zinc and any and all other minerals or elements) produced from the property. The Company shall be entitled to repurchase 0.5% of the NSR, leaving the vendor with a 2.5% NSR, by paying to the vendor \$1,000,000, and an additional 1%, leaving the vendor with a 1.5% NSR, by paying the vendor an additional \$3,000,000.

On October 7, 2016, as part of a prospecting funding application, the Company signed a funding and royalty agreement with Ontario Exploration Corporation («OEC») under which the Company granted a 0.5% NSR on its Meech Lake Matachewan Prospect in consideration of \$10,000 in cash payable as \$5,000 upon signature of the agreement and \$5,000 upon approval by the OEC of the final submission form and technical report and delivery by the Company of an assessment credit approval letter. As of March 31, 2017, the Company received \$5,000 and expects to receive the final amount of \$5,000 by July 15, 2017.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 7. EXPLORATION AND EVALUATION ASSETS (Continued)

The following table presents a summary of exploration and evaluation assets:

	March 31, 2016	Additions from August 18, 2016	March 31, 2017
	\$	\$	\$
<b>Meech Lake Matachewan Prospect (Ontario)</b>			
Acquisition	-	399,446	399,446
Claim maintenance	-	302	302
Consultants	-	5,562	5,562
Sampling & testing	-	10,256	10,256
Geophysics	-	1,580	1,580
Geology	-	9,261	9,261
Maps and publications	-	1,725	1,725
Proceeds from the sale of a 0.5% NSR	-	(10,000)	(10,000)
	<u>-</u>	<u>418,132</u>	<u>418,132</u>

### NOTE 8. SHARE CAPITAL

#### Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

#### Transaction on capital

On August 18, 2016, the Company completed the acquisition of the Meech Lake Matachewan Prospect, and pursuant to the acquisition agreement issued an aggregate of 7,888,928 common shares in payment at a deemed price of \$0.05 per share. The common shares issued in payment for the acquisition are subject to escrow restrictions in accordance with the policies of the TSX.

Concurrently to the acquisition of the Meech Lake Matachewan Prospect, the Company completed a non-brokered private placement offering for total gross proceeds of \$846,602 of which the particulars are as follows:

The Company issued 3,263,350 flow-through units (the "FT Units") at a per FT Unit price of \$0.12 for gross proceeds of \$391,602, each FT Unit consisting of one common share in the capital of the Company issued on a flow-through basis under the Canada Income Tax Act and one-half of one non-transferable non-flow-through common share purchase warrant, each whole warrant entitling the holder to purchase one non-flow-through common share in the capital of the Company at a price of \$0.15 per share until February 18, 2018. The fair value of the 1,631,674 warrants was estimated at \$0.01 using the Black-Scholes pricing model with the following assumptions: an expected volatility of 100%, a risk-free interest rate of 0.56%, an expected unit life of 1.5 years, no expected dividend yield and a share price at date of grant of \$0.05. As a result, the warrants were valued at \$15,731 and recorded under Warrants in the statement of changes in equity. Also, an amount of \$212,704 was attributed to the liability component related to the flow-through units and recorded as such in liabilities.

The Company issued 4,550,000 units (the "Units") at a per Unit price of \$0.10 for gross proceeds of \$455,000, each Unit consisting of one non-flow-through common share in the capital of the Company and one non-transferable common share purchase warrant, entitling the holder to purchase one common share in the capital of the Company at a price of \$0.12 per share until February 18, 2018. The warrants were valued at \$227,500 based on the residual method and recorded under Warrants in the statement of changes in equity.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 8. SHARE CAPITAL (Continued)

In connection with the private placement, the Company paid finder's fees to various arms' length parties of an aggregate of \$48,434 in cash and issued an aggregate of 155,840 common shares in lieu of cash fees at a deemed price of \$0.10 per share, plus an aggregate of 602,200 non-transferable warrants (the "Finder Warrants"). Each Finder Warrant will entitle the holder to purchase one common share in the capital of the Company at a price of \$0.12 per share until February 18, 2018. The fair value of the 602,200 Finder Warrants was estimated at \$0.01 using the Black-Scholes pricing model with the following assumptions: an expected volatility of 100%, a risk-free interest rate of 0.56%, an expected unit life of 1.5 years, no expected dividend yield and a share price at date of grant of \$0.05. As a result, the Finder Warrants were valued at \$7,218 and recorded under Warrants in the statement of changes in equity.

Total issuance cost of \$109,148 was incurred in connection with the non-brokered private placement: finder's fees of \$48,434, legal fees of \$37,912 and fair value of shares and Finder Warrants issued in payment of finder's fees respectively of \$15,584 and \$7,218.

In the absence of a trading history of the Company's shares, the expected volatility used in the valuation of warrants and Finder Warrants described above is based on the historical volatility of similar listed companies for comparable periods. No special features inherent to the warrants granted were incorporated into measurement of fair value.

#### Escrowed Shares

As required by applicable securities commissions and those of the TSX, and under an agreement entered with a transfer agent from Computershare Investor Services Inc., a total of 9,513,928 common shares have been placed in escrow and deposited with a trustee under escrow agreements before the completion of the Qualifying Transaction. On August 18, 2016, following the completion of the Qualifying Transaction, 10% of the escrowed shares were released. The balances of restricted shares will be released at a rate of 15% in each of the anniversaries of 6, 12, 18, 24, 30 and 36 months following the initial release. As at March 31, 2017, there were 7,135,446 escrowed shares (1,625,000 as at March 31, 2016).

#### Warrants

The following table shows the changes in warrants:

	March 31, 2017		March 31, 2016	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of year	-	-	-	-
Issued	<u>6,783,874</u>	<u>0.13</u>	-	-
Outstanding, end of year	<u><u>6,783,874</u></u>	<u><u>0.13</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

Expiration date	Exercise price \$	Number of warrants outstanding
February 18, 2018	0.12	5,152,200
February 18, 2018	0.15	<u>1,631,674</u>
		<u><u>6,783,874</u></u>

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 9. SHARE-BASED PAYMENTS

The Company has adopted an incentive stock option plan dated August 12, 2016 in accordance with the policies of the TSX (the "Stock Option Plan") pursuant to which it has granted options to purchase common shares to directors, officers and technical consultants. The options will be exercisable at the price set by the Company's board of directors and for a period of up to ten years from the date of grant, provided that the number of common shares reserved for issuance under the Share Option Plan does not exceed ten percent (10%) of the issued and outstanding common shares of the Company on the date of grant, provided that the option exercise price is not to be lower than permitted under the policies of the TSX.

The following table shows the changes in stock options:

	March 31, 2017		March 31, 2016	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	350,000	0.20	350,000	0.20
Granted	<u>1,300,000</u>	<u>0.12</u>	<u>-</u>	<u>-</u>
Outstanding, end of year	<u><u>1,650,000</u></u>	<u><u>0.14</u></u>	<u><u>350,000</u></u>	<u><u>0.20</u></u>

The number of outstanding stock options that could be exercised for an equal number of common shares is as follows:

		March 31, 2017		March 31, 2016	
Expiry date	Exercise price	Number outstanding	Number exercisable	Number outstanding	Number exercisable
	\$				
November 2, 2018	0.12	1,300,000	1,300,000	-	-
November 16, 2020	0.20	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
		<u><u>1,650,000</u></u>	<u><u>1,650,000</u></u>	<u><u>350,000</u></u>	<u><u>350,000</u></u>

The fair value of stock options granted was determined using the Black & Scholes valuation model based on the following weighted average assumptions:

	March 31, 2017	March 31, 2016
Weighted average price at the grant date	0.12 \$	-
Weighted average exercise price	0.12 \$	-
Expected dividend	- \$	-
Expected average volatility	100%	-
Risk-free average interest rate	0.54%	-
Expected average life	2 years	-
Weighted fair value per share option	0.06 \$	-

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 9. SHARE-BASED PAYMENTS (Continued)

In the absence of a trading history of the Company's shares, the expected volatility used in the valuation of stock options is based on the historical volatility of similar listed companies for comparable periods. No special features inherent to the stock options granted were incorporated into measurement of fair value.

An expense for share-based payments of \$81,602 was recognized during the year ended March 31, 2017 (\$nil during the year ended March 31, 2016).

### NOTE 10. EXPENSES RELATED TO POTENTIAL QUALIFYING TRANSACTION

Total amount spent toward the identification and acquisition of a Qualifying Transaction is as follow:

	March 31, 2017	March 31, 2016
	\$	\$
Audit and accounting fees	-	11,440
Legal fees	1,048	61,932
Regulatory and transfer agent fees	10,393	-
Tax credits (a)	-	(8,663)
	11,441	64,709

(a) Refundable tax credit and refundable mining duties related to the airborne survey performed.

### NOTE 11. INCOME TAXES

#### Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	March 31, 2017	March 31, 2016
	\$	\$
<b>Current tax expense (income)</b>	-	-
<b>Deferred tax expense (income)</b>		
Origination and reversal of temporary differences	(20,027)	(30,521)
Impact of change in tax rates	3,050	(2,330)
Prior periods adjustments	(160)	-
Change in unrecognized temporary differences	17,137	32,851
<b>Total deferred tax expense (income)</b>	-	-
<b>Total income tax expense (income)</b>	-	-

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 11. INCOME TAXES (Continued)

#### Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined income tax rate in Canada and the reported tax expense in the statement of comprehensive loss can be reconciled as follows:

	March 31, 2017	March 31, 2016
	\$	\$
Loss before income taxes	(157,890)	(105,076)
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.50% (26.90% in 2016)	(41,841)	(28,265)
Impact of change in tax rates	3,050	(2,330)
Prior periods adjustments	(160)	-
Stock-based compensation	21,625	-
Tax effect of flow-through shares	4,258	-
Other	(4,069)	(2,256)
Change in unrecognized temporary differences	17,137	32,851
<b>Deferred income tax expense (income)</b>	<b>-</b>	<b>-</b>

The statutory tax rate is 26.50% in 2017 compared to 26.90% in 2016. The Quebec general corporate tax rate will decrease from 11.9% to 11.5% beginning January 1 of each year from 2017 to 2020.

#### Unrecognized deferred tax assets and liabilities

The Company has the following temporary differences for which no deferred tax has been recognized:

	March 31, 2017		March 31, 2016	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
Issuance costs	69,077	69,077	-	-
Exploration and evaluation assets	138,556	165,876	165,876	165,876
Other assets	1,417	1,417	1,417	1,417
Non-capital losses	704,426	704,092	595,501	595,217
	913,476	940,462	762,794	762,510

The ability to realize the tax benefits is dependant upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At March 31, 2017, deferred tax assets totalling \$245,177 (\$205,158 at March 31, 2016) have not been recognized.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 11. INCOME TAXES (Continued)

The Company has the following non-capital losses which are available to reduce income taxes in future years, for which no deferred tax asset has been recognized in the statement of financial position, that can be carried over the following years:

	Federal	Provincial
	\$	\$
2031	49,230	49,230
2032	90,143	90,143
2033	155,720	155,621
2034	81,112	81,112
2035	103,025	103,025
2036	116,271	116,086
2037	108,925	108,875
	704,426	704,092

The Company has investment tax credit carryovers of \$14,535 (\$14,535 as at March 31, 2016) that expire in 2033 and 2034, which are available to reduce income taxes payable in future years.

### NOTE 12. RELATED PARTY TRANSACTIONS

#### *Transaction with key management*

Key management includes members of the Board of Directors. There was no related party transaction during the years ended March 31, 2017 and 2016, other than those disclosed below.

The acquisition of the Meech Lake Matachewan Prospect constitutes a related party transaction. The Vendor, 2973090 Canada Inc. is a privately held mineral exploration company wholly-owned and controlled by Glenn J. Mullan, who is also the president and CEO of the Company. In addition, pursuant to the acquisition agreement, other relatives of Mr. Mullan and some directors of the Company and consultants received some of the shares issued by the Company in payment of the property.

During the year ended March 31, 2017, the Company granted 1,200,000 stock options to officers and directors. A stock-based compensation of \$75,325 (\$nil for the year ended March 31, 2016) was recognized in connection with these stock options.

As at March 31, 2016, the Company had total receivables from related parties of \$68,309; \$55,554 from the Vendor, an entity wholly-owned by the Company's President, and \$12,755 from a company with common directors. The aggregate \$68,309 represents disbursements incurred by the Company on behalf of the Vendor in connection with exploration of the Meech Lake Matachewan Prospect. Those amounts were fully reimbursed to the Company prior to the closing of the Meech Lake Matachewan acquisition on August 18, 2016.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 13. ADDITIONAL CASH FLOW INFORMATION

The following significant non-cash transactions have been excluded from the statements of cash flows:

	March 31, 2017	March 31, 2016
	\$	\$
Accounts receivable included in exploration and evaluation assets	5,000	-
Shares issued as part of an acquisition of mining rights	394,446	-
Accounts payable included in exploration and evaluation assets	3,460	-

### NOTE 14. FINANCIAL ASSETS AND LIABILITIES

#### Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	March 31, 2017		March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash	768,259	768,259	56,256	56,256
Amounts receivable from related companies	-	-	68,309	68,309
Accounts receivable	5,000	5,000	-	-
	773,259	773,259	124,565	124,565
Financial liabilities				
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities	13,450	13,450	396	396

The carrying value of cash, amounts receivable from related companies, accounts receivable and accounts payable and accrued liabilities is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

### NOTE 15. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives in managing capital is to safeguard its ability to continue its operations, to increase the value of the assets of the business and to provide an adequate return to owners. These objectives will be achieved by identifying the right exploration prospects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares to improve its financial performance and flexibility. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve.

The Company monitors capital on the basis of the carrying amount of equity. Capital for reporting period under review is summarized in Note 8 and in the statement of changes in equity. The Company is not subject to any externally imposed capital requirements.

# CLEGHORN MINERALS LTD.

## NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

### NOTE 16. FINANCIAL RISKS

The Company is exposed to various financial risks in relation to its financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flow by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows.

#### Credit risk

Credit risk relates to the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets, cash, amounts receivable from related companies and accounts receivable at the reporting dates for amounts of \$773,259 at March 31, 2017 and \$124,565 at March 31, 2016. The risk related to cash is considered negligible as the Company is dealing with a reputable financial institution whose credit rating is excellent. The Company continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented. The Company's management considers that the above financial assets are of good credit quality.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has potential financing sources. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations.

Accounts payable and accrued liabilities are due within less than 30 days. The Company's existing cash resources significantly exceed the current cash outflow requirements.

### NOTE 17. COMMITMENTS

The Company has restrictions imposed by the flow-through financing described in Note 6.

The Company entered into a consulting agreement with an indefinite term which will call for a monthly payment of \$2,500.

### NOTE 18. CHANGE TO THE PRESENTATION

The Company reviewed the classification of its expenses. Management believes that this new classification provides a clearer picture of the Company's nature of expenses. Comparative periods have been presented accordingly. There is no other effect of this change in presentation.