



Rover Metals Corp.

Financial Statements

For the years ended December 31, 2019 and 2018



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rover Metals Corp.

Opinion

We have audited the consolidated financial statements of Rover Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and 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 (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 1 to the financial statements, which indicates that the Company incurred a net loss of \$778,854 during the year ended December 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by \$19,609. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 14, 2020



An independent firm
associated with Moore
Global Network Limited

ROVER METALS CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2019	December 31, 2018
		\$	\$
ASSETS			
Current			
Cash		2,210	425,795
Prepaid expenses and acquisition deposits	5	223,159	176,779
Sales tax receivable		3,611	49,457
Total current assets		228,980	652,031
Restricted cash		117,277	117,277
Exploration and evaluation assets	6	704,128	641,492
Total assets		1,050,385	1,410,800
LIABILITIES			
Current			
Flow-through share liability	7	-	8,736
Accounts payable and accrued liabilities	8	248,589	203,599
Total current liabilities		248,589	212,335
SHAREHOLDERS' EQUITY			
Share capital	7	2,842,464	2,736,718
Share subscription deposits	7	34,700	-
Warrant reserves	7	739,223	575,839
Stock option reserves	7	251,827	208,212
Contributed surplus	7	34,740	-
Deficit		(3,101,158)	(2,322,304)
Total shareholders' equity		801,796	1,198,465
Total liabilities and shareholders' equity		1,050,385	1,410,800

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 11)
Subsequent events (Note 13)

Approved on behalf of the Board of Directors on May 14, 2020:

<u>“Keith Minty”</u> Director	<u>“Judson Culter”</u> Director
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The accompanying notes are an integral part of these financial statements.

ROVER METALS CORP.**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars, except number of shares outstanding)

		Year ended December 31,	
	Note	2019	2018
		\$	\$
Expenses			
Administrative fees	8	217,222	270,000
Marketing and events		151,511	198,305
Investor relations and marketing consulting		132,977	194,716
Professional fees	8	99,474	51,194
Stock-based compensation	8	43,615	69,820
Travel		38,598	208,212
Geological management fees	8	34,300	40,250
Stock transfer agent and filing fees		15,468	18,599
Office expenses and dues		13,156	18,725
Insurance		6,825	5,144
Meals and entertainment		6,073	9,868
Communications		5,823	5,495
Bank fees		4,170	3,549
Rent and maintenance		120	600
Foreign exchange loss		9	6,625
		769,341	1,101,102
Other expenses (income)			
Reversal of flow-through premium	7	(8,736)	(20,655)
Interest income		(1,543)	-
Listing expense	1,4	19,792	637,377
Net loss and comprehensive loss for the year		778,854	1,717,824
Weighted average number of common shares outstanding			
Basic and diluted		49,257,107	40,169,548
Loss per common share			
Basic and diluted		\$ (0.02)	\$ (0.04)

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

ROVER METALS CORP.**STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian dollars, except number of shares outstanding)

	Share capital		Share subscription deposits	Warrant reserves	Stock option reserves	Contributed surplus	Deficit	Total shareholders' equity
	Common shares	Amount						
	#	\$						
Balance at December 31, 2017	32,377,000	1,105,866	290,000	363,904	-	-	(604,480)	1,155,290
Fair value assigned to the Royal Lifescience Corp. shares on RTO	3,990,000	498,750	-	-	-	-	-	498,750
\$0.125 unit financing	10,039,800	1,054,660	(290,000)	200,315	-	-	-	964,975
\$0.14 flow-through unit financing, net of liability	519,985	52,442	-	11,620	-	-	-	64,062
Mineral property acquisition	500,000	25,000	-	-	-	-	-	25,000
Stock-based compensation	-	-	-	-	208,212	-	-	208,212
Net loss and comprehensive loss	-	-	-	-	-	-	(1,717,824)	(1,717,824)
Balance at December 31, 2018	47,426,785	2,736,718	-	575,839	208,212	-	(2,322,304)	1,198,465
\$0.06 unit financing	5,099,751	109,159	-	196,827	-	-	-	305,986
Amended \$0.06 unit financing	-	-	34,700	-	-	-	-	34,700
Share issuance costs	-	(3,413)	-	1,297	-	-	-	(2,116)
Expired warrants	-	-	-	(34,740)	-	34,740	-	-
Stock-based compensation	-	-	-	-	43,615	-	-	43,615
Net loss and comprehensive loss	-	-	-	-	-	-	(778,854)	(778,854)
Balance at December 31, 2019	52,526,536	2,842,464	34,700	739,223	251,827	34,740	(3,101,158)	801,796

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

ROVER METALS CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Note	Year ended December 31,	
		2019	2018
		\$	\$
OPERATING ACTIVITIES			
Net loss for the year		(778,854)	(1,717,824)
Items not affecting cash:			
Stock-based compensation		43,615	208,212
Listing expense		-	498,750
Unrealized loss on foreign exchange		-	(195)
Reversal of flow-through premium		(8,736)	(20,655)
Changes in non-cash working capital items:			
Prepaid expenses and acquisition deposits		(46,380)	49,121
Sales tax receivable		45,846	(14,919)
Accounts payable and accrued liabilities		44,990	56,598
Cash used in operating activities		(699,519)	(940,912)
INVESTING ACTIVITIES			
Restricted cash - GIC		-	(117,277)
Proceeds received from government grant		-	83,636
Cash payments per option agreement		-	(80,000)
Cash acquired on acquisition of Royal Lifescience Corp.	4	-	12,114
Investment in exploration and evaluation assets, net	6	(62,636)	(61,713)
Cash used in investing activities		(62,636)	(163,240)
FINANCING ACTIVITIES			
Proceeds from unit financing, net of issuance costs	7	303,870	-
Proceeds from subscription deposits	7	34,700	-
Proceeds from issuance of common shares		-	1,037,773
Cash provided by financing activities		338,570	1,037,773
Decrease in cash		(423,585)	(66,379)
Cash, beginning of year		425,795	492,174
Cash, end of year		2,210	425,795

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

ROVER METALS CORP.**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019 and 2018

(Expressed in Canadian dollars, except where noted)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Rover Metals Corp. ("Rover" or the "Company") was incorporated on February 23, 2010 under the laws of the Province of British Columbia, Canada, Business Corporations Act. The head office and principal address of the Company is located at Suite 908 – 938 Howe Street, Vancouver, BC, Canada, V6Z 1N9. Rover is a Canadian natural resource exploration company specializing in precious metal resources located in North America.

Effective June 26, 2018, the Company acquired 100% of the issued and outstanding shares of Royal Lifescience Corp. (the "Royal Transaction") and amalgamated the entities. Pursuant to the Royal Transaction, Royal Lifescience Corp. ("Royal") performed a one-for-one share exchange with the Company, and all numbers in these financial statements have been presented on a post-consolidation basis (Note 4). Upon completion of the Royal Transaction, Rover completed the listing of its shares on the Toronto Venture Exchange ("TSXV") as a Tier II Mining Issuer, and trades under the symbol "ROVR". On January 29, 2019, the Company completed its U.S. OTCQB listing and trades under the symbol "ROVMF".

These financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2019, the Company incurred a net loss of \$778,854, a deficit of \$3,101,158 and a working capital deficit of \$19,609. There is no certainty that additional financing at terms that are acceptable to the Company will be available, and an inability to obtain financing would have a direct impact on the Company's ability to continue as a going concern. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to finance operating costs with the proceeds from equity financings, and its current working capital. Subsequent to year-end (see Note 13), the Company closed two additional tranches of its current financing (see Note 7), closing proceeds of \$50,000 on April 24, 2020 and \$64,700 on January 29, 2020.

These financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

NOTE 2 – BASIS OF PRESENTATION**(a) Statement of compliance**

These financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. IFRS includes International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 14, 2020.

NOTE 2 – BASIS OF PRESENTATION (continued)

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value, or amortized cost, as applicable. The presentation currency is the Canadian dollar; therefore, all amounts are presented in Canadian dollars unless otherwise noted.

(c) Significant accounting judgements and key sources of estimate uncertainty

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Significant judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements are as follows:

i. Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the financial statements, then adjustments to the carrying value of assets and liabilities, the reported expenses and the statement of financial position would be necessary (Note 1).

ii. Functional currency

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

iii. Economic recoverability of future economic benefits of mineral property interests

Management has determined that exploration and evaluation of mineral properties and related costs incurred, which have been recognized on the statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

iv. Indications of impairments of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

NOTE 2 – BASIS OF PRESENTATION (continued)

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

i. Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

ii. Stock-based compensation

The Company determines the fair value of stock options granted using the Black Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility and expected life of the option. Changes in these inputs and the underlying assumption used to develop them can materially affect the fair value estimate.

iii. Income taxes

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and apply those findings to the Company's transactions.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The financial statements of the Company are prepared in its functional currency, determined on the basis of the primary economic environment in which the entity operates. Given that operations are in Canada, the presentation and functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the statements of loss and comprehensive loss for the period in which they arise.

(b) Cash

Cash consists of cash on hand, deposits held with banks, and other highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and evaluation assets

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

The Company accounts for exploration and evaluation assets in accordance with IFRS 6 – *Exploration for and evaluation of mineral properties* (“IFRS 6”). Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation are recognized and capitalized, in addition to the acquisition costs. These expenditures include but are not limited to acquiring licenses, researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling and payments made to contractors and consultants in connection with the exploration and evaluation of the property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Acquisition costs incurred in obtaining legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral properties. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of the estimated recoverable amount, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

(d) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset’s recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the statement of loss and comprehensive loss.

(f) Government grant

Government grants are recognized by the Company when it meets the conditions for compliance and the grants are to be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to mineral property interests shall be presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant will be recognized in profit or loss over the depreciable life of the mineral interests as a reduced depreciation expense.

(g) Share capital

Common shares are classified as share capital. Costs directly attributable to the issue of common shares are recognized as a deduction from share capital, net of any tax effects.

(h) Flow-through shares

As an incentive to complete private placements the Company may issue common shares, which by agreement are designated as flow-through shares. Such agreements require the Company to spend the funds from these placements on qualified exploration expenditures and renounce the expenditures and income tax benefits to the flow-through shareholders, resulting in no exploration deductions to the Company.

The shares are usually issued at a premium to the trading value of the Company's common shares at the date the private placement is completed. The premium is a reflection of the value of the income tax benefits that the Company must pass on to the flow-through shareholders. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability.

The loss of the tax benefit is recorded as a deferred income tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has unused temporary income tax benefits, or unused non-capital losses or tax credits available to offset the deferred income tax liability, the realization of these income tax benefits is shown as a recovery in profit or loss in the period the deferred income tax liability is recorded.

The deferred income tax liability and reversal of the flow-through share premium liability are recorded on a pro-rata basis as the required exploration expenditures are completed and renounced to the flow-through shareholders.

(i) Warrants

Share purchase warrants are classified as a component of equity. Share purchase warrants are recognized at the fair value using the Black-Scholes option pricing model at the date of issue. Share purchase warrants are initially recorded as a part of warrant reserves in equity at the recognized fair value. Upon exercise of the share purchase warrants the previously recognized fair value of the warrants exercised is reallocated to share capital from warrant reserves. The proceeds generated from the payment of the exercise price are also allocated to share capital.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income taxes

Income tax reported in the statement of loss and comprehensive loss for the period presented comprises current and deferred income tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes any adjustments to tax payable or recoverable with regards to previous periods.

Deferred income tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the expected future tax rates enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

(k) Financial instruments

Non-derivative financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value, and transaction costs are expensed in the statements of income and comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated specifically as hedges.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. Gains and losses on derecognition of financial assets classified amortized cost are recognized in profit or loss.

Financial liabilities

For financial liabilities, the new standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to the Company's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Derivative instruments

Derivative instruments, including embedded derivatives in executory contracts or financial liability contracts, are classified as at FVTPL and, accordingly, are recorded in the statement of financial position at fair value. Unrealized gains and losses on derivatives not designated in a hedging relationship are recorded as part of other operating income (expense) or non-operating income (expense) in profit depending on the nature of the derivative. Fair values for derivative instruments are determined using inputs based on market conditions existing at the balance sheet date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. Accounts receivable related to provisionally priced sales are measured at fair value with changes recognized in the statement of income and comprehensive income as a component of revenue.

Expected credit losses

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. The diluted loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period.

(m) New and amended IFRS standards that are effective for the year ended December 31, 2019

Leases

On January 1, 2019, the Company adopted IFRS 16 which replaced IAS 17 “Leases” and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Company’s financial statements is not restated. The new standard introduces a single lessee accounting model and requires a lessee to recognize an ROU asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments

The Company does not have any material lease agreements and the adoption of IFRS 16 did not materially impact its financial statements.

NOTE 4 – REVERSE TAKEOVER TRANSACTION AND LISTING EXPENSE

Pursuant to the Royal Transaction and amalgamation agreement (the “Amalgamation”) entered into between Royal and Rover, the issued and outstanding common shares in the capital of Royal (3,990,000 common shares) were exchanged on a one-for-one basis for the common shares in the post-consolidation capital of Rover. As a result of this share issuance, the shareholders of Rover obtained control of Royal and as a result, for accounting purposes, this transaction has been accounted for as a reverse takeover transaction (“RTO”) in accordance with the guidance provided in IFRS 2 - *Share-based Payment* and IFRS 3 - *Business Combinations*. As Royal did not qualify as a business according to the definition in IFRS 3, the RTO does not constitute a business combination; rather it is treated as an issuance of shares by the Company for the net assets of Royal and its pursuit of a public listing. Accordingly, Rover has been treated as the accounting parent company and Royal has been treated as the accounting subsidiary in these financial statements.

As Rover was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying value, while the assets and liabilities of Royal as at June 26, 2018 have been accounted for at fair value. Subsequent to the completion of the RTO on June 26, 2018, Royal changed its name to Rover Metals Corp., and due to the Amalgamation, one entity existed as of June 26, 2018 whereby the ongoing operations of the amalgamated entity are included from June 26, 2018 onwards (the date of the RTO).

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NOTE 4 – REVERSE TAKEOVER TRANSACTION AND LISTING EXPENSE (continued)

For purposes of this transaction, the consideration received was the fair value of the net assets of Royal as at June 26, 2018 as follows:

		\$
Cash		12,114
Less: Accounts payable and accrued liabilities		(20,850)
Net assets acquired		(8,736)
Consideration provided:	Number of Shares	Amount
Fair value of shares of Royal	3,990,000	498,750
Transaction costs		110,847
		609,597
Listing expense for the year ended December 31, 2018		618,333

For the year ended December 31, 2019, the Company incurred \$19,792 (2018 - \$19,044) in exchange listing fees included under listing expense regarding its U.S. OTCQB listing.

NOTE 5 – PREPAID EXPENSES AND ACQUISITION DEPOSITS

	December 31, 2019	December 31, 2018
	\$	\$
Prepaid investor relations fees	54,615	123,529
Prepaid conferences	30,000	-
Prepaid D&O insurance	3,575	3,250
Prepaid marketing fees	-	50,000
Prepaid acquisition deposits ¹	134,969	-
	223,159	176,779

- Per the Toquima LOI, the Company shall advance a non-refundable deposit of USD\$25,000 (\$33,973). In addition, the Company will pay the Shasta Gold Corp. option payments (the "Shasta Option Payments") of USD\$12,500 (\$16,814) per month and all claim renewal fees during the period of time the Toquima LOI is in force. If the Toquima LOI is terminated, the Shasta Option Payments made by the Company and the claims renewal payments will be returned to the Company within 60 days of termination of the Toquima LOI. During the year ended December 31, 2019, the Company advanced USD\$100,000 (\$134,969) in prepaid deposits corresponding to USD\$25,000 (\$33,973) for the non-refundable deposit, USD\$50,000 (\$67,254) for the Shasta Option Payments to date, and USD\$25,000 (\$33,743) for claim renewals. Subsequent to period end (see Note 13), on April 30, 2020 the Company announced that it was terminating its acquisition of the Toquima Project, and as a result, the non-refundable deposit of USD\$25,000 was forfeited.

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NOTE 6 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are composed of the following at December 31, 2019, and 2018:

	Cabin Lake	Camp & Slemon Lakes	Up Town Gold	Total
	\$	\$	\$	\$
As at December 31, 2017	5,000	18,428	476,086	499,514
Acquisition payments – cash	35,000	-	-	35,000
Acquisition payments – equity	25,000	-	-	25,000
Option payments – cash	-	-	45,000	45,000
Permitting	13,375	2,335	-	15,710
Exploration expenditures	95,893	-	7,261	103,154
Report writing	-	-	1,750	1,750
Less: government grant	(72,250)	-	(11,386)	(83,636)
As at December 31, 2018	102,018	20,763	518,711	641,492
Exploration expenditures	853	-	-	853
Permitting	100	-	-	100
Option payments - cash	-	-	45,000	45,000
Repayment of government grant	16,683	-	-	16,683
As at December 31, 2019	119,654	20,763	563,711	704,128

(a) Cabin Lake Property

The Company owns a 100% interest in the Cabin Lake gold-in-iron formation property (“Cabin Lake” or “Cabin Lake Property”). Cabin Lake consists of one claim located 110 km northwest of Yellowknife and 60 km southeast of Fortune Minerals and close to the new Tlichon all season road. On July 24, 2018, the Company received a five-year land use permit for exploration at Cabin Lake from the Northwest Territories (“NWT”) Government, the Wek’eezhii Land and Water Board, and the Mackenzie Valley Land and Water Board.

On September 28, 2018, the Company issued 500,000 common shares to North Arrow Minerals Inc. to acquire the historical exploration data for Cabin Lake. The 500,000 common shares had a fair market value of \$25,000 on the date of issuance.

The Company has agreed to provide the following consideration in return for Cabin Lake to the property vendor, Silver Range Resources Inc.:

- \$5,000 cash upon signing of the Cabin Lake LOI; (completed)
- \$35,000 cash when drilling permits for Cabin Lake are issued by the government of the Northwest Territories; (completed)
- A 2% Net Smelter Returns royalty (the “Silver Range Royalty”) related to commercial production from Cabin Lake;
- Advance royalty payments, only in the event of exploration activities in 2019, 2020, and 2021, equal to the lessor of \$20,000 or 7% of exploration expenditures incurred by the Company at Cabin Lake during each of the calendar years 2019, 2020, and 2021. The maximum aggregate amount of total advance royalty payments is \$220,000. These advance royalty payments are deemed to be credited against future payments of the Silver Range Royalty. Payments are due by February 28th of the following year.

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (continued)

Following completion of all payments and the completion of a National Instrument 43-101 report (“NI 43-101”) with measured and indicated resources, the Company shall have the irrevocable right to purchase up to 75% (being 1.5% of the 2.0%) of the Silver Range Royalty as follows:

- \$250,000 for each 0.5% interest in the Silver Range Royalty if the NI 43-101 measured and indicated gold resource is less than 1.0 million ounces of gold or gold equivalent; or
- \$500,000 for each 0.5% interest in the Silver Range Royalty if the NI 43-101 measured and indicated gold resource is greater than 1.0 million ounces of gold or gold equivalent.

During the year-ended December 31, 2019, the Company refunded a portion of its NWT government grant under the NWT Mining Incentive Program. See note (d) below for more details.

(b) Camp and Slemon Lakes

During November 2017, the Company staked open ground at the Camp Lake and Slemon Lake properties in the Northwest Territories. Camp Lake and Slemon Lake are located approximately 10 km and 20 km, respectively, north west of Cabin Lake. The Company spent \$18,428 on staking fees and \$2,335 on permitting at Camp and Slemon Lakes. On July 24, 2018, the Company received a five-year land use permit for exploration at Camp and Slemon Lakes from the NWT Government, the Wek’eezhii Land and Water Board, and the Mackenzie Valley Land and Water Board.

(c) Up Town Gold Property

On September 9, 2016 (the “Effective Date”), the Company entered into an agreement (the “Agreement” as amended on August 15, 2017, April 6, 2018, September 5, 2018, and February 18, 2020) with Silver Range Resources Ltd. (“Silver Range”) and Panarc Resources Ltd. (“Panarc”) to grant the Company an option to earn up to a 100% interest in the Up Town Gold Property (the “Property”). The Property is a high-grade Archean lode gold prospect adjoining the Giant Mine in Yellowknife, Northwest Territories. The Property consists of six claims and borders the west side of the Giant Mine leases. As per the Agreement, all mineral claims, mining leases, and other mining interests into which mineral claims may have been converted, are in good standing until the later of (a) one (1) year from the date of termination of the First Option; or (b) December 16, 2022.

The Agreement consists of the following options:

- “First Option” refers to the sole and exclusive right and option to acquire up to 75% undivided interest in the Property;
- “Second Option” refers to the sole and exclusive right and option to acquire up to 25% undivided interest in the Property.

The Agreement and First Option will terminate if the Company doesn’t complete all of the following within the relevant time period:

- Complete all of the following expenditure on the Property within the relevant time period:
 - \$350,000 by the first anniversary of the Effective Date (milestone complete);
 - \$500,000 by February 28, 2020 (\$850,000 cumulative total); and
 - \$1,250,000 by March 16, 2021 (\$1,600,000 cumulative total).
- Pay the following amounts and issue the following shares to Silver Range:
 - 7.5% of the outstanding common shares on a fully diluted basis, as at the Effective Date of the Agreement (payment complete);
 - \$30,000 by March 9, 2017 (payment complete);
 - \$60,000 by the first anniversary of the Effective Date (payment complete);
 - \$45,000 by the second anniversary of the Effective Date (payment complete);
 - \$45,000 by April 30, 2019 (payment complete); and
 - \$120,000 by March 16, 2021.

NOTE 6 – EXPLORATION AND EVALUATION ASSETS (continued)

Once the First Option is fully exercised, the Company shall be deemed to have granted to Silver Range the Second Option, and the Company can exercise the Second Option by issuing Silver Range the lessor of (a) 4.5% of outstanding common shares on a fully diluted basis and (b) 2,500,000 common shares of the optionee, on or before September 30, 2020.

Royalty payments will be performed by both the Company and Silver Range if the First Option is exercised and a Joint Venture formed, or if both the First and Second Options are exercised.

Royalty interest will be a 2% net smelter return royalty; and is buyable down to 1% for \$1,000,000, with advance payments of Royalties for \$50,000 per annum starting on the 5th anniversary of the Effective Date of the Agreement.

As per the Agreement, the Company has completed the required \$350,000 on Property expenditures prior to the first anniversary of the Effective Date to keep the First Option in good standing as of the date hereof. Additionally, in accordance with the Agreement the Company paid \$180,000 to Silver Range, of which \$135,000 was paid during the year ended December 31, 2018, and \$45,000 was paid on May 14, 2019.

(d) Government grant

On September 18, 2017, the Company received notice that it had been awarded a grant of \$75,905 under the Government of the Northwest Territories' Mining Incentive Program for exploration activities at the Up Town Gold Property. On October 24, 2017, the Company received \$64,519 of the \$75,905 total grant. The purpose of the grant is to provide funding to stimulate and sustain mineral exploration activities throughout the Northwest Territories. The grant received was specifically applied for and approved solely for use with the Up Town Property exploration project expenditures and as such has been applied as a credit towards the carrying value of the Up Town Property. On August 2, 2018, the Company received the remaining \$11,386 of the \$75,905 grant.

On August 27, 2018, the Company received notice that it had been awarded a grant of \$85,000 under the Government of the Northwest Territories' Mining Incentive Program for exploration activities at the Cabin Lake Property. On October 12, 2018, the Company received \$72,250 of the \$85,000 grant. The purpose of the grant is to provide funding to stimulate and sustain mineral exploration activities throughout the Northwest Territories. The grant received was specifically applied for and approved solely for use with the Cabin Lake Property exploration project expenditures. On May 9, 2019, \$16,683 of the \$72,250 grant was returned to the Government of the Northwest Territories as a result of the Company not meeting the full exploration spend allotment.

(e) Toquima Property letter of intent

On April 10, 2019, the Company entered into a non-binding letter of intent (the "Toquima LOI"), and as amended on August 16, 2019, the Company intended to acquire the Toquima silver project of Centennial Mining Inc. in central Nevada, USA (the "Toquima Project"). On April 30, 2020 the Company announced that it was abandoning its acquisition of the Toquima Project (see Note 13). All advance payments under the Toquima LOI have been capitalized to prepaid expenses and acquisition deposits (see Note 5).

NOTE 7 – SHARE CAPITAL AND RESERVES

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued share capital

As at December 31, 2019, 52,526,536 common shares were issued and outstanding.

(c) Share issuances

Year ended December 31, 2019:

- On February 28, 2019, the Company renounced \$8,736 (all) of its 2018 flow-through share liability (Note 7(f)).
- On August 29, 2019, the Company closed the \$0.06 Unit Financing for gross proceeds of \$305,986 issuing 5,099,751 Units. Each Unit comprised of one common share and one Common Share purchase warrant (a “Warrant”). The \$198,124 fair value of these Warrants was determined using the Black Scholes model. Each Warrant will entitle the holder to acquire one additional Common Share at an exercise price of \$0.12 for a period of five (5) years from the date of issuance. The Company also issued 33,600 broker warrants in connection with the closing.
- On November 19, 2019, the Company announced that it will seek to raise an aggregate of up to \$900,000 in Units at a price of \$0.06 per Unit (the “Amended \$0.06 Unit Financing”). Each Unit will be comprised of one Common Share and one Warrant. Each Warrant will entitle the holder to acquire one additional Common Share at an exercise price of \$0.12 for a period of five (5) years from the date of issuance. The Warrant shall have an acceleration clause such that if the Company’s Common Shares trades above \$0.15 for five consecutive trading days, the Company has the option to call the Warrants that are not exercised. As at December 31, 2019, the Company had received \$34,700 in subscription deposits under the Amended \$0.06 Unit Financing. Subsequent to year-end (see Note 13), the Company closed a first tranche of \$64,700, and a second and final tranche of \$50,000. under the Amended \$0.06 Unit Financing.

Year ended December 31, 2018:

- On February 2, 2018, the Company renounced \$20,655 (all) of its 2017 flow-through share liability (Note 7(f)).
- On June 15, 2018, the Company closed its \$0.125 unit financing (the “\$0.125 Unit Financing”) issuing 10,039,800 common shares and 10,039,800 common share purchase warrants for total proceeds of \$1,254,975 (of which \$290,000 was received in 2017). The 10,039,800 warrants are exercisable for two years with an exercise price of \$0.25 in year one and an exercise price of \$0.50 in year two. The \$200,315 fair value of these warrants was determined using the Black Scholes model.
- On June 15, 2018, the Company closed its second and final tranche of its \$0.14 flow-through unit financing (the “Flow-Through Share Unit Financing”) issuing 519,985 common shares and 519,985 common share purchase warrants for total proceeds of \$72,798. The 519,985 warrants are exercisable for two years with an exercise price of \$0.28 in year one and an exercise price of \$0.56 in year two. The \$11,620 fair value of these warrants was determined using the Black Scholes model. Additionally, a \$8,736 flow-through share liability was recorded for this issuance (Note 7(f)).
- On June 26, 2018, the Company completed the RTO of Royal issuing 3,990,000 common shares to the shareholders of Royal with a fair value of \$498,750 (Note 4).
- In July 2018, the Company collected its subscriptions receivable of \$745,000 upon delivery against performance of its \$0.125 units to its unit shareholders.
- On September 28, 2018, the Company acquired the historical exploration data for the Cabin Lake Property by issuing 500,000 common shares at a price of \$0.05 per share for total value of \$25,000.

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NOTE 7 – SHARE CAPITAL AND RESERVES (continued)

(d) Warrants

The following table summarizes the common share purchase warrants issued and outstanding as at December 31, 2019:

Expiry Date	Exercise Price	Balance Dec. 31, 2018	Granted	Exercised	Expired / Terminated	Balance Dec. 31, 2019
September 29, 2019	\$0.20	110,240	-	-	(110,240)	-
December 31, 2019	\$0.56	1,377,000	-	-	(1,377,000)	-
June 15, 2020	\$0.20	8,993,093	-	-	-	8,993,093
June 15, 2020	\$0.50	10,039,800	-	-	-	10,039,800
June 15, 2020	\$0.56	519,985	-	-	-	519,985
August 23, 2024	\$0.12	-	5,133,351	-	-	5,133,351
Total		21,040,118	5,133,351	-	(1,487,240)	24,686,229
Weighted Average Exercise Price		\$0.38	\$0.12	-	-	\$0.31

The following table summarizes the common share purchase warrants issued and outstanding as at December 31, 2018:

Expiry Date	Exercise Price	Balance Dec. 31, 2017	Granted	Exercised	Expired / Terminated	Balance Dec. 31, 2018
March 15, 2018	\$0.15	30,000	-	-	(30,000)	-
May 31, 2018	\$0.20	25,000	-	-	(25,000)	-
September 29, 2019	\$0.20	110,240	-	-	-	110,240
December 31, 2019	\$0.28	1,377,000	-	-	-	1,377,000
June 15, 2020	\$0.20	8,993,093	-	-	-	8,993,093
June 15, 2020	\$0.25	-	10,039,800	-	-	10,039,800
June 15, 2020	\$0.28	-	519,985	-	-	519,985
Total		10,535,333	10,559,785	-	(55,000)	21,040,118
Weighted Average Exercise Price		\$0.21	\$0.25	-	-	\$0.23

As at December 31, 2019, the weighted average remaining contractual life of the warrants is 1.33 years (December 31, 2018 - 1.42 years).

Using a Black Scholes valuation model, the Company calculated the fair value of the warrants issued during the years ended December 31, 2019 and 2018, respectively, using the following weighted-average inputs:

	December 31, 2019	December 31, 2018
Expected life	5.00 years	2.00 years
Expected volatility	90.00%	90.00%
Expected dividend yield	-	-
Expected risk-free rate	1.21%	1.20 - 1.90%
Expected warrant price	\$0.04	\$0.21 - \$0.23

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NOTE 7 – SHARE CAPITAL AND RESERVES (continued)

(e) Incentive stock options

During the year ended December 31, 2019, the Company had the following incentive stock options transactions:

- On September 16, 2019, the Company granted options for 350,000 common shares at an exercise price of \$0.065 vesting over 12 months.
- During the year ended December 31, 2019, a total of 300,000 incentive stock options were cancelled.

During the year ended December 31, 2018, the Company had the following incentive stock options transactions:

- On June 22, 2018, the Company granted options for 800,000 common shares at an exercise price of \$0.125 which vested immediately.
- On June 22, 2018, the Company granted options for 1,100,000 common shares at an exercise price of \$0.125 vested over 12 months.
- On June 22, 2018, the Company granted options for 250,000 common shares at an exercise price of \$0.150 vested over 12 months.
- On June 22, 2018, the Company granted options for 392,679 common shares at an exercise price of \$0.180 vested over 12 months.
- On June 26, 2018, the Company granted options for 200,000 common shares at an exercise price of \$0.150 vested over 12 months.
- On August 29, 2018, the Company granted options for 300,000 common shares at an exercise price of \$0.180 vested over 6 months.
- On October 1, 2018, the Company granted options for 300,000 common shares at an exercise price of \$0.150 vested over 12 months.
- On October 12, 2018, the Company granted options for 250,000 common shares at an exercise price of \$0.125 vested over 12 months.
- On October 12, 2018, the Company granted options for 250,000 common shares at an exercise price of \$0.150 vested over 12 months.
- On December 12, 2018, the Company granted options for 200,000 common shares at an exercise price of \$0.125 vested over 6 months.

Shareholders of the Company approved a ten percent rolling incentive stock option plan. The following table summarizes the common share incentive stock option transactions and issued and outstanding for the years ended December 31, 2019 and 2018:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance outstanding, beginning of year	4,042,679	\$0.14	-	-
Granted	350,000	\$0.07	4,042,679	\$0.14
Cancelled	(300,000)	(\$0.18)	-	-
Balance outstanding, end of year	4,092,679	\$0.13	4,042,679	\$0.14
Balance exercisable, end of year	3,830,180	\$0.14	2,971,338	\$0.14

For the year ended December 31, 2019, the Company recorded stock-based compensation of \$43,615 (December 31, 2018 - \$208,212).

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NOTE 7 – SHARE CAPITAL AND RESERVES (continued)

(e) Incentive stock options (continued)

Using a Black Scholes valuation model, the Company calculated the fair value of the options issued to be \$14,627 and \$242,762 for the years ended December 31, 2019 and 2018, respectively, using the following weighted-average inputs:

	December 31, 2019	December 31, 2018
Risk-free interest rate	1.52%	2.02%
Expected life of options	4.00 years	4.00 years
Annualized volatility ¹	90.00%	90.00%
Dividend rate	-	-

- Expected volatility was determined by reference to historical volatility of similar entities following a comparable period of lives.

(f) Flow-through shares

Flow-through share arrangements involve resource expenditure deductions for income tax purposes which are renounced to purchasers of common shares in accordance with income tax legislation. Each flow-through share entitles the holder to a 100% tax deduction in respect of qualifying Canadian Exploration Expenses (“CEE”) as defined.

The value of the flow-through share liability was determined using the residual value method, after determining the fair value of the common shares and common shares purchase warrants attached to the Flow-Through Share Unit Financing. The Flow-Through Share Unit Financing premium was valued at \$0.015 per unit, and correspondingly established the flow-through share liability value at \$Nil and \$8,736 as at December 31, 2019 and December 31, 2018, respectively.

On February 28, 2019, the Company renounced its resource expenditures associated with 2018 flow-through shares reducing in full the \$8,736 liability, and on February 2, 2018, the Company renounced its resource expenditures associated with 2017 flow-through shares reducing in full the \$20,655 liability.

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Company incurred charges to directors and officers, or to companies associated with these individuals, which are included in the following categories, during the years ended December 31, 2019 and 2018 as follows:

	Year ended December 31,	
	2019	2018
	\$	\$
Administrative fees	214,500	236,000
Professional fees	50,276	18,792
Geological management fees	32,500	40,250
	297,276	295,042

Management consulting fees are paid to companies controlled by the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Operating Officer, and the Vice President of Exploration. In addition to the above amounts, management and directors received stock-based compensation of \$23,880 for the year ended December 31, 2019 (December 31, 2018 - \$198,542).

NOTE 8 – RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

As at December 31, 2019 and 2018, the Company owed \$141,727 and \$68,469, respectively, to related parties for services rendered and business expense reimbursements. These balances are non-interest bearing and payable on demand.

NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value of financial instruments

As at December 31, 2019 and 2018, the Company's financial instruments consist of cash, prepaid expenses and acquisition deposits, sales tax receivable, restricted cash, and accounts payable and accrued liabilities. Cash, sales tax receivable and restricted cash are measured at amortized cost. Accounts payable and accrued liabilities are measured at amortized cost.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at December 31, 2019, the Company believes that the carrying values of cash, prepaid expenses and acquisition deposits, sales tax receivable, restricted cash, and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(b) Financial instruments risk

The Company's financial instruments are exposed in varying degrees to a variety of financial risks. The Board of Directors approves and monitors the risk management processes:

i. Credit risk

Credit risk exposure primarily arises with respect to the Company's cash and receivables. The risk exposure is limited because the Company places its instruments in banks of high credit worthiness within Canada and continuously monitors the collection of other receivables.

ii. Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure as far as possible that it will have sufficient liquidity to settle obligations and liabilities when they become due. As at December 31, 2019, the Company had cash of \$2,210 (December 31, 2018 – \$425,795) and a working capital deficit of \$19,609 (December 31, 2018 – working capital of \$439,696) with total liabilities of \$248,589 (December 31, 2018 – \$212,335).

iii. Market risk

- a. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A change of 100 basis points in the interest rates would not be material to the financial statements.

(c) Financial instruments risk (continued)

iii. Market risk (continued)

- b. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the year ended December 31, 2019 would have varied by a negligible amount.
- c. The Company had no hedging agreements in place with respect to foreign exchange rates.

NOTE 10 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

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NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company is involved in litigation and disputes arising in the normal course of operations with regards to monies owed for services. The amount owing has been included in Accounts Payable and Accrued Liabilities. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations.

The Company does not have any future operating commitments at December 31, 2019, while the only undiscounted liabilities are the accounts payable and accrued liabilities which are due within one year and as at December 31, 2019 are \$248,589 (December 31, 2018 – \$203,599). As at December 31, 2019, the Company has issued a letter of credit in the amount of \$117,277 (December 31, 2018 – \$117,277) in regard to one of its exploration permits bonds.

NOTE 12 – INCOME TAXES

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rates to net income before income taxes. The statutory rate in Canada was 27% for the year ended December 31, 2019 (December 31, 2018 – 27%).

	December 31, 2019	December 31, 2018
	\$	\$
Loss before income taxes	778,854	1,717,824
Combined federal and provincial statutory income tax rates	27%	27%
Income tax recovery at statutory rates	210,291	(463,812)
Non-deductible differences	-	1,332
Change in unrecognized deductible temporary differences	210,291	462,480
Total income tax recovery	-	-

Unrecognized deductible temporary differences

The income tax benefit of the following deductible temporary differences has not been recorded in these financial statements because of the uncertainty of their recovery:

	December 31, 2019	December 31, 2018
	\$	\$
Non-capital losses carried forward	2,048,552	2,281,236

Non-capital losses carried forward

The Company's non-capital tax losses available to reduce taxes in future years of approximately \$2,048,552 (2018 – \$2,281,236) in Canada with expiry over 2031 through 2039 have not been recognized in these financial statements.

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

ROVER METALS CORP.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Expressed in Canadian dollars, except where noted)

NOTE 13 – SUBSEQUENT EVENTS

On April 30, 2020, the Company canceled its non-binding letter of intent to acquire 100% of the Toquima silver project in central Nevada, USA (the “Original LOI”). Rover Metals has entered into a new non-binding letter of intent (the “New LOI”) with the same vendor of the Toquima Property (the “Vendor”) to acquire one or more gold-dominant exploration projects, subject to due diligence. Conditional upon positive due diligence, it is the Company’s intention to complete a transaction to acquire 100% interest in one or more of these U.S.-based gold projects. USD\$37,500 advanced under the Original LOI will be paid back to Rover Metals under the New LOI.

On April 24, 2020, the Company announced that it had closed its second and final tranche under its Amended \$0.06 Unit Financing for gross proceeds of \$50,000 issuing 833,334 Units. Each Unit is comprised of one Common Share and one Warrant. Each Warrant has a five-year life and an exercise price of \$0.12 per Warrant, with an acceleration clause if the Company’s shares trade at \$0.15 per share for five consecutive trading days.

On February 18, 2020, the Company amended the Up Town Gold Property Agreement with Silver Range and Panarc. The amendment ensures all mineral claims, mining leases, and other mining interests into which mineral claims may have been converted, are in good standing until the later of (a) one year from the date of termination of the First Option; or (b) December 16, 2022. Per the amendment Rover must incur expenditures of \$1,200,000 and pay an additional \$120,000 to Silver Range on or before March 16, 2021.

On January 29, 2020, the Company announced it closed the first tranche of its Amended \$0.06 Unit Financing for gross proceeds of \$64,700 issuing 1,078,333 Units. Each Unit is comprised of one Common Share and one Warrant. Each Warrant has a five-year life and an exercise price of \$0.12 per Warrant, with an acceleration clause if the Company’s shares trade at \$0.15 per share for five consecutive trading days.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on they Company’s financial results.