

Jasper Mining Corporation
(an exploration stage corporation)

Financial Statements

December 31, 2019 and 2018

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(an exploration stage corporation)

Financial Statements

December 31, 2019 and 2018

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Management Report

To the Shareholders of Jasper Mining Corporation

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors exercises its responsibilities for financial controls through an Audit Committee. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Crowe MacKay LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Jasper Mining Corporation

(Signed) "Gordon F. Dixon"

President and in the capacity of Chief Executive Officer

(Signed) "Paul Seo"

Chief Financial Officer

Calgary, Canada

May 12, 2020

Independent Auditor's Report

To the Shareholders of Jasper Mining Corporation

Opinion

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

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

Basis for Opinion

We conducted our 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 Corporation 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 describes the material uncertainty that may cast significant doubt on the Corporation'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:

- 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.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Independent Auditor's Report (continued)

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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.

Independent Auditor's Report (continued)

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 Garry Cook.

A handwritten signature in black ink that reads "Crowe Mackay LLP". The signature is written in a cursive, flowing style.

**Calgary, Canada
May 12, 2020**

Chartered Professional Accountants

Jasper Mining Corporation
(an exploration stage corporation)

Statements of Financial Position

As at December 31, **2019** **2018**

Assets

Current

Cash	\$	8,306	\$	60,376
Other receivables		674		1,414

8,980 61,790

Mineral property security deposits (note 5)	50,712	50,469
Property and equipment (note 6)	128,313	129,091

\$ 188,005 \$ 241,350

Liabilities

Current

Accounts payables and accrued liabilities (note 7)	\$	269,518	\$	297,099
Due to related parties (note 15)		-		139,490

269,518 436,589

Shareholders' Equity (Deficiency)

Share capital (note 8)	10,049,480	9,824,132
Warrants (note 9)	-	16,588
Contributed surplus	7,333,226	7,302,555
Deficit	(17,464,219)	(17,338,514)

(81,513) (195,239)

\$ 188,005 \$ 241,350

Nature of operations and going concern (note 1)
Subsequent event (note 18)

(Signed) "Gordon F. Dixon" _____, Director

(Signed) "Jean Pierre-Pelletier" _____, Director

Jasper Mining Corporation
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Statements of Loss and Comprehensive Loss

Years ended December 31,	2019	2018
Expenses		
General and administrative (note 10)	\$ 113,165	\$ 144,013
Exploration and evaluation expense	4,862	6,501
Depreciation (note 5)	778	936
	(118,805)	(151,450)
Finance income (note 13)	243	178
Finance expense (note 13)	(7,143)	(6,803)
	(6,900)	(6,625)
Loss and comprehensive loss for the year	\$ (125,705)	\$ (158,075)
Net loss per share (note 11)		
Basic and diluted	\$ (0.01)	(0.01)

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Statements of Changes in Equity

	Number of shares	Share capital	Warrants	Contributed Surplus	Deficit	Total shareholders' equity (deficiency)
Balance December 31, 2018	16,256,716	\$ 9,824,132	\$ 16,588	\$ 7,302,555	\$ (17,338,514)	\$ (195,239)
Issued for debt settlement	1,933,070	193,307	-	-	-	193,307
Share issue costs	-	-	-	-	-	-
Issuance on exercise of warrants	208,334	32,041	(11,208)	-	-	20,833
Share-based compensation	-	-	-	25,291	-	25,291
Expiration of warrants	-	-	(5,380)	5,380	-	-
Net loss for the year	-	-	-	-	(125,705)	(125,705)

Balance December 31, 2019 **18,398,120** **\$ 10,049,480** **\$ -** **\$ 7,333,226** **\$ (17,464,219)** **\$ (81,513)**

	Number of shares	Share capital	Warrants	Contributed Surplus	Deficit	Total shareholders' equity (deficiency)
Balance December 31, 2017	13,504,643	\$ 9,535,890	\$ 63,232	\$ 7,216,281	\$ (17,180,439)	\$ (365,036)
Issued for debt settlement	2,152,073	215,207	-	-	-	215,207
Share issue costs	-	(2,076)	-	-	-	(2,076)
Issuance on exercise of warrants	600,000	75,111	(15,111)	-	-	60,000
Share-based compensation	-	-	-	54,741	-	54,741
Expiration of warrants	-	-	(31,533)	31,533	-	-
Net loss for the year	-	-	-	-	(158,075)	(158,075)

Balance December 31, 2018 **16,256,716** **\$ 9,824,132** **\$ 16,588** **\$ 7,302,555** **\$ (17,338,514)** **\$ (195,239)**

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Statements of Cash Flows

Years ended December 31,	2019	2018
Operating activities		
Net loss for the year	\$ (125,705)	(158,075)
Items not affecting cash		
Depreciation	778	936
Share-based compensation	25,291	54,741
Changes in working capital (note 14)	26,976	31,332
	(72,660)	(71,066)
Financing activities		
Related party advances	-	65,000
Share issuance proceeds	20,833	60,000
Share issuance costs	-	(2,076)
	20,833	122,924
Investing activity		
Mineral property security deposits	(243)	(178)
Increase (decrease) in cash	(52,070)	51,680
Cash, beginning of year	60,376	8,696
Cash, end of year	\$ 8,306	\$ 60,376
Cash interest received	\$ 243	\$ 178
Non-cash transactions:		
Shares issued for settlement of accounts payable and accrued liabilities and amounts due to related parties	\$ 193,307	\$ 215,207
Fair value of warrants exercised transferred to share capital	11,208	15,111
Fair value of warrants expired transferred to contributed surplus	5,380	31,533

Jasper Mining Corporation
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Notes to the Financial Statements

Years ended December 31, 2019 and 2018

1. Nature of operations and going concern

Jasper Mining Corporation (the "Corporation") is incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange. The Corporation is engaged in the business of mineral exploration in Canada. The Corporation's registered office is located at 501, 888 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 0V2.

To date, the Corporation has not yet determined whether its mineral claims are economically recoverable, nor has it found defined reserves and it's considered to be in the exploration stage. The Corporation believes that it has established and retains satisfactory title to all its claims.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates the realization of assets and the discharging of liabilities and commitments in the normal course of operations. The ability of the Corporation to continue to operate as a going concern is largely dependent on its ability in the near term to access sufficient new capital to satisfy its current obligations and fund future exploration and development activities. Management plans to meet its capital requirements from available funds, equity financings, advances from related parties, sale or farm-out of assets, and cash to be provided from the exercise of options and warrants in the future. Management's assessment of the Corporation is based on its current cash flow forecast and financial model. There are material uncertainties that may cast significant doubt as to whether the Corporation is a going concern because of the following factors:

- a) As at December 31, 2019, the Corporation had a working capital deficiency of \$(260,538) and no sources of revenue from its resource assets;
- b) There are significant future capital expenditures required to further explore and develop the Corporation's resource assets;
- c) The current equity market environment may hamper the Corporation's ability to raise funds for its exploration programs; and
- d) Subsequent to year-end there was a worldwide outbreak of a novel coronavirus known as "COVID-19", which has impacted the global economy (note 18).

Management's plans for addressing the above factors are as follows:

- a) The Corporation will continue to seek appropriate financing initiatives that benefit the Corporation and its shareholders; and
- b) The Corporation will continue to review opportunities to enter into joint venture or farm-out arrangements or the potential sale of existing resource interests.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Corporation be unable to continue as a going concern and these adjustments could be material.

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Notes to the Financial Statements

Years ended December 31, 2019 and 2018

2. Basis of presentation

a) **Statement of compliance:**

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

These financial statements were authorized for issue by the Board of Directors on May 12, 2020.

Expenses in the statement of loss and comprehensive loss are presented as a combination of function and nature in conformity with industry practice. Depreciation is presented on a separate line by its nature, while general and administrative expenses are presented on a functional basis. Other significant expenses, such as share-based compensation, are presented by their nature in the notes to the financial statements.

b) **Basis of measurement:**

The financial statements have been prepared on the historical cost basis.

c) **Functional and presentation currency:**

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

d) **Use of estimates and judgments:**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

In the process of applying the Corporation's accounting policies, management has made the following judgments, apart from those involving estimates, which may have the most significant effect on the amounts recognized in the financial statements.

i) **Going concern:**

As described in Note 1, management uses its judgment in determining whether the Corporation is able to continue as a going concern.

ii) **Exploration and evaluation expenditures:**

The application of the Corporation's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Corporation, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available.

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Notes to the Financial Statements

Years ended December 31, 2019 and 2018

2. Basis of presentation (continued)

d) Use of estimates and judgments: (continued)

iii) Impairment indicators and calculation of impairment:

At each reporting date, the Corporation assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or are impaired. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. When management judges that circumstances clearly indicate impairment, exploration and evaluation assets & property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units ("CGUs") are determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate applied. At the end of each financial reporting period, the Corporation assesses whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment loss recognized in prior periods would be reversed if there has been a change in the estimate used to determine the recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no prior impairment loss been recognized for the asset.

iv) Cash generating units:

A cash generating unit ("CGU") is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The Corporation allocates costs to a CGU based on geographic location, shared infrastructure, and common geological and geophysical characteristics.

v) Income taxes:

The Corporation recognizes deferred income tax assets to the extent that it is probable that taxable profit will be available to allow the benefit of that deferred income tax asset to be utilized. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the deferred income tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain tax deductions in future periods.

vi) Share-based compensation and warrant units

In accounting for the fair value of stock options and warrants, the Corporation makes assumptions regarding share price volatility, risk free rate, forfeiture rate, and expected life in order to determine the fair value to recognize.

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Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

2. Basis of presentation (continued)

e) Use of estimates and judgments: (continued)

vii) Property and equipment and depreciation

Estimated useful lives and residual values of tangible equipment are reviewed annually. Estimated resources are reviewed each reporting period. Resource estimates are dependent on numerous variables. Changes in these variables could have a significant impact on the test for impairment. The carrying values of property & equipment is reviewed for impairment where there has been a trigger event (that is, an event which may have resulted in impairment) by assessing the recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use which is determined by the present value of future cash flows. The calculation of estimated future cash flows is 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 the estimates of future cash flows have not been adjusted.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) **Property and equipment**

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent to initial measurement, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined using the declining balance method over the estimated service lives of the assets at the following annual rates and are reviewed at each reporting date:

Fencing	10%
Furniture and fixtures	20%
Computer equipment	30 to 50%

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant accounting policies (continued)

b) Cash and cash equivalents

Cash and cash equivalents consist of cash in the bank and short term highly liquid investments with original maturities of three months or less. The Corporation does not have any cash equivalents as at December 31, 2019 and 2018.

c) Financial instruments

Financial assets

Non-derivative financial assets within the scope of IFRS 9 *Financial instruments* are classified as financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), and financial assets at amortized cost. The Corporation determines the classification of financial assets at the time of initial recognition based on the Corporation's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value, and in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation has classified cash, other receivables and mineral property security deposits as financial assets at amortized cost.

Financial assets measured at FVTPL includes financial assets management intends to sell in the short term, and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship.

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and without an irrevocable election at the time of initial recognition to measure the assets at FVOCI. After initial measurement, financial assets measure at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss. When the financial asset is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Financial assets measured at amortized cost are subsequently measured at the end of each reporting period using the effective interest rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. EIR amortization is included in the statement of net loss and comprehensive loss.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or the Corporation no longer retains substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, such as for held for trading or derivative instruments, or the Corporation has opted to measure the financial liability at FVTPL. All financial liabilities are recognized initially at fair value, net of applicable transaction costs unless they are classified as FVTPL. The Corporation has classified accounts payable and accrued liabilities and due to related parties as financial liabilities at amortized cost.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant accounting policies (continued)

c) Financial instruments (continued)

Financial liabilities (continued)

After initial recognition, financial liabilities measured at amortized cost are measured at the end of each reporting period using the EIR method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires, with any associated gain or loss recognized in net loss.

Impairment of financial assets

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss (“ECL”) model, which requires expected lifetime losses to be recognized from initial recognition of a financial assets, other than a financial asset classified and measured at FVTPL, regardless of whether there has been an actual loss event.

Offsetting of financial instruments

A financial asset and a financial liability shall be offset and the net amount presented in the statements of financial position when the Corporation: i) currently has a legally enforceable right to set off the recognized amounts; and ii) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d) Share-based payments

The Corporation issued equity-settled share-based payments to employees and other individuals which are subject to service conditions. The fair value of equity-settled share-based payments is measured at the date of grant using the Black-Scholes option pricing model and expense is recognized in general and administrative expense as appropriate in the statements of loss and comprehensive loss over the period during which service conditions are required to be met or immediately where no performance or service criteria exist. Inputs include share price on date of grant, exercise price, expected volatility which is estimated based on historical price trends, dividends, estimated forfeiture rate which is based on historical staff turnover, and risk free interest rate. The amount recognized as an expense is adjusted to reflect the actual number of options that vest.

e) Exploration and Evaluation Assets (E&E)

The Corporation's accounting Policy for E&E expenditures is to expense these costs until such time as the technical feasibility and commercial viability has been established that supports the future development of the property, and such development receives appropriate board approvals.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant accounting policies (continued)

f) Provisions

A provision is recognized in the statements of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. The amount recognized as a provision would be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate. Future operating costs are not provided for. A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

g) Decommissioning obligation

The Corporation's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. The Corporation's decommissioning obligation is measured at the present value of management's best estimate of expenditures required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligation are charged against the provision to the extent the provision was established.

Mineral property security deposits have been paid to the Government of British Columbia and are refundable upon reclamation of areas impacted by mineral exploration activities.

h) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant accounting policies (continued)

h) Income tax (continued)

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

i) Shares

The Corporation issues common shares and flow-through common shares. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Flow-through common shares are classified as equity. At the time of issuance, the price of the flow-through share is compared to the price of common shares at the date of issuance. This difference is initially recorded as a share premium liability. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Upon spending of the associated flow through expenditures, the share premium liability is eliminated and deferred tax is recorded. The difference between the share premium liability and the deferred income tax liability is recorded as deferred income tax expense.

j) Finance income and expense

Interest income is recognized as it accrues in the statements of loss and comprehensive loss, using the effective interest method.

Finance expense comprises interest expense on flow-through expenditures made under the “look- back rule” and costs to obtain financing.

k) Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by dividing the loss attributable to common shareholders and the weighted average number of common shares outstanding, after adjusting for the effects of dilutive instruments such as warrants and options.

l) Warrants

The Corporation uses the fair value method to value any warrants in private placements. The fair value assigned to warrants is recorded as a reduction to share capital and an increase to warrants. When warrants expire, the fair value of the expired warrants is transferred to contributed surplus. When warrants are exercised, the consideration received and the fair value allocated on initial measurement are credited to share capital.

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Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

3. Significant accounting policies (continued)

m) Leases

Policy applicable from January 1, 2019

The Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a Right-of Use (“ROU”) asset and a corresponding lease liability at the date on which the leased asset is available for use by the Corporation. Assets and liabilities arising from a lease are initially measured on a present value basis. These payments are discounted using the Corporation’s incremental borrowing rate when the rate implicit in the lease is not readily available. The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the Statements of Loss and Comprehensive Loss if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability, any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term. A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Corporation will re-measure the lease liability using the Corporation’s incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net loss that reflects the proportionate decrease in scope.

ROU assets are assessed for impairment on initial recognition and subsequently on an annual basis, at a minimum. ROU assets subject to leases that have become onerous in nature are adjusted by the amount of any provision for onerous leases.

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3. Significant accounting policies (continued)

m) Leases (continued)

During the year ended December 31, 2019, the Corporation incurred and paid \$6,000 for short-term leases.

Policy applicable before January 1, 2019

Leases in which substantially all of the risks and rewards of ownership are retained by the counterparty are classified as operating leases. Operating lease payments are recognized as an expense in the period in which they are incurred.

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases.

4. Newly adopted and future accounting standards

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Corporation adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach.

On initial adoption, the Corporation elected to use the following practical expedients permitted under the standard:

- a) Account for leases with a remaining term of less than twelve months as at January 31, 2019 as short-term leases; and
- b) Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of low dollar value.

There were no transitional and subsequent adjustments required in the financial statements as a result of the adoption of this new standard as the Corporation's leases are all short-term or low value in nature.

The following accounting standard is effective for reporting periods beginning on or after January 1, 2020:

Amendments to IFRS 3 Business Combinations

Amendments to IFRS 3, Business Combinations assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits.

These amendments are effective for reporting periods beginning on or after January 1, 2020. This amendment is not expected to have a material impact on the financial statements when adopted.

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5. Mineral property security deposits

The Corporation is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Corporation. The deposits are held in certificates of deposit with maturity dates during 2020 and interest rates of 1.00% - 1.60% (2018 - 0.60% - 1.00%).

6. Property and equipment

	Land	Equipment	Total
Cost			
As at December 31, 2017, 2018 and 2019	\$ 123,387	\$ 40,205	\$ 163,592
Accumulated depreciation			
As at December 31, 2017	\$ -	\$ 33,565	\$ 33,565
Depreciation	-	936	936
As at December 31, 2018	\$ -	\$ 34,501	\$ 34,501
Depreciation	-	778	778
As at December 31, 2019	\$ -	\$ 35,279	\$ 35,279
Net book value			
As at December 31, 2018	\$ 123,387	\$ 5,704	\$ 129,091
As at December 31, 2019	\$ 123,387	\$ 4,926	\$ 128,313

7. Accounts payable and accrued liabilities

	2019	2018
Trade payables	\$ 100,827	\$ 135,551
Accruals	19,000	19,000
Flow-through share interest and penalties	149,691	142,548
	\$ 269,518	\$ 297,099

Share capital

	2019		2018	
Issued	Number of shares	Value	Number of shares	Value
Balance, beginning of year	16,256,716	\$ 9,824,132	13,504,643	\$ 9,535,890
Debt conversion (a)	1,933,070	193,307	2,152,073	215,207
Share issue costs	-	-	-	(2,076)
Exercise of warrants	208,334	32,041	600,000	75,111
Balance, end of year	18,398,120	\$ 10,049,480	16,256,716	\$ 9,824,132

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8. Share capital (continued)

- a) In February 2018, the Corporation approved the conversion of certain existing accounts payable from debt to equity. The total amount of outstanding accounts payable extinguished by the Corporation was \$215,207 for 2,152,073 common shares. The debt was owed to three non-arms' length parties. The conversion was recorded at \$0.10 per share, which was the trading price of the shares as at the date of the conversion. The shares were subject to a four-month hold period ending in June 2018.
- b) In December 2019, the Corporation approved the conversion of certain existing accounts payable and amounts due to related parties from debt to equity. The total amount of outstanding accounts payable extinguished by the Corporation was \$193,307 for 1,933,070 common shares. The debt was owed to four non-arms' length parties. The conversion was recorded at \$0.10 per share which was the trading price of the shares at the date of conversion. The shares are subject to a four-month hold period ending in April 2020.

9. Warrants

	2019		2018	
	Number of warrants	Value	Number of warrants	Value
Balance, beginning of year	308,334	\$ 16,588	2,108,334	\$ 63,232
Expired (a)	(100,000)	(5,380)	(1,200,000)	(31,533)
Exercised	(208,334)	(11,208)	(600,000)	(15,111)
Balance, end of year	-	\$ -	308,334	\$ 16,588

- a) During the year ended December 31, 2019, 100,000 (2018 - 1,200,000) warrants expired and the fair value of \$5,380 (2018 - \$31,533) was allocated to contributed surplus.

10. Share-based payments

The following is a continuity of stock options for which shares have been reserved:

	2019		2018	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Balance, beginning of year	1,450,000	\$ 0.10	1,200,000	\$ 0.18
Granted (a)	-	-	600,000	0.10
Expired	-	-	(150,000)	0.80
Forfeited	(150,000)	0.10	(100,000)	0.10
Forfeited	-	-	(100,000)	0.08
Balance, end of year	1,300,000	\$ 0.10	1,450,000	\$ 0.10

Summary information with respect to options outstanding at December 31, 2019 is provided below:

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For the years ended December 31, 2019 and 2018

10. Share-based payments (continued)

Exercise price (\$)	Number Outstanding	Contractual life remaining (years)	Exercise price (\$)	Number exercisable
0.10	575,000	0.7	0.10	575,000
0.08	200,000	2.4	0.08	200,000
0.10	525,000	3.8	0.10	525,000
	1,300,000	2.2	0.10	1,300,000

- a) During the year ended December 31, 2019, no stock options were granted. During the year ended December 31, 2018, the Corporation granted 600,000 stock options exercisable at \$0.10 to directors and officers. The options vested one-half immediately and the balance one year from the date of grant and are exercisable for a term of five years. The fair value of these options was estimated at \$86,714 (\$0.1482 per option) The Black -Scholes option pricing model calculations were based on the following significant assumptions:

	2018
Share price \$	0.16
Exercise price \$	0.10
Risk-free interest rate %	2.38
Expected forfeiture rate %	2.51
Expected volatility	132%
Expected life	5.0 years
Dividend yield	Nil

During the year ended December 31, 2019, the Corporation's share-based compensation expense was \$25,291 (2018 - \$54,741) of which all was recognized in general and administrative expenses in the statements of loss and comprehensive loss. Of this amount, \$12,044 (2018 - \$21,076) was for share-based payments to key management. The unvested share-based compensation expense as of December 31, 2019 is \$nil (2018 - \$36,131).

11. Per share amounts

Basic net loss per share is calculated as follows:

	2019	2018
Net loss for the year	\$ (125,705)	\$ (158,075)
Weighted average number of shares:		
Issued common shares at beginning of year	16,256,716	13,504,643
Weighted number of common shares issued during the year	217,251	2,068,998
Basic weighted average shares	16,473,967	15,573,641
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.01)

The effect of stock options and warrants is anti-dilutive in loss periods.

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12. Deferred taxes

The Corporation's computation of income taxes for the years ended December 31 is as follows:

	2019	2018
Loss for the year before income taxes	\$ (125,705)	\$ (158,075)
Anticipated income tax reduction at 26.5% (2018 - 26.5%)	\$ (33,000)	\$ (42,000)
Share-based compensation and other non-deductible items	12,000	16,000
Change in substantively enacted tax rates	235,000	-
Change in unrecognized deferred tax asset	(214,000)	26,000
Deferred income tax reduction	\$ -	\$ -

The components of the deferred tax asset are as follows at the following rates 23.0% (2018 – 26.5%)

	2019	2018
Non-capital loss carry forwards	\$ 885,000	\$ 996,000
Share issue costs	1,000	2,000
Cumulative eligible capital	10,000	12,000
Mineral properties and deferred exploration costs	670,000	770,000
	1,566,000	1,780,000
Unrecognized deferred tax asset	(1,566,000)	(1,780,000)
	\$ -	\$ -

As at December 31, 2019, the Corporation has approximately \$3,000,000 (2018 - \$3,000,000) in tax pools and \$3,800,000 (2018 - \$3,700,000) in non-capital losses available for deduction against future taxable income. The non-capital losses expire between 2026 and 2039 as follows:

Expiry	Losses
2026	\$ 700,000
2027	400,000
2028	600,000
2030	500,000
2031	400,000
2032	300,000
2033	200,000
2034	200,000
2035	100,000
2036	100,000
2037	100,000
2038	100,000
2039	100,000
	\$ 3,800,000

The deferred income tax assets have not been recognized as their recovery is uncertain.

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For the years ended December 31, 2019 and 2018

13. Finance income and expense

	2019	2018
Finance income		
Interest on deposits held in GIC's	\$ 243	\$ 178
Finance expense		
Part XII.6 interest on flow-through expenditures incurred under the look-back rule	(7,143)	(6,803)
Net finance expense	\$ (6,900)	\$ (6,625)

14. Change in working capital

	2019	2018
Other receivables	\$ 740	\$ (562)
Prepays	-	1,532
Accounts payable and accrued liabilities	26,236	30,362
	\$ 26,976	\$ 31,332

15. Related party transactions

Except as disclosed elsewhere in these financial statements, the Corporation had the following related party transactions in the normal course of operations and measured at the exchange amount:

Amounts due to related parties consist of amounts due from shareholders, officers and directors of the Corporation and companies controlled or significantly influenced by shareholders and officers of the Corporation. The amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

- a) During the year ended December 31, 2019, \$6,000 (2018 - \$6,000) was charged for rent by a company owned by the President of the Corporation. Included in accounts payable and accrued liabilities at December 31, 2019 is \$1,570 (2018 - \$6,825) due to this company. On December 18, 2019, \$11,555 was converted into common shares at a price of \$0.10 per share resulting in the issuance of 115,555 common shares.
- b) At December 31, 2019, there was \$nil (2018 - \$66,490) in due to related parties for expense advances and \$nil due to related parties (2018 - \$73,000) controlled by the President of the Corporation. On December 18, 2019, \$139,490 was converted into common shares at a price of \$0.10 per share resulting in the issuance of 1,394,900 common shares.
- c) During the year ended December 31, 2019, \$21,000 (2018 - \$21,000) was charged by a company owned by the President of the Corporation for administrative services. Included in accounts payable and accrued liabilities at December 31, 2019 is \$5,513 (2018 - \$25,725) due to this company. On December 18, 2019, \$42,262 was converted into common shares at a price of \$0.10 per share resulting in the issuance of 422,620 common shares.
- d) During the year-ended December 31, 2019, \$7,975 (2018 - \$nil) was charged by the CFO for accounting services. Included in accounts payable and accrued liabilities at December 31, 2019 is \$5,000 (2018 - \$nil) owing to this individual.

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Notes to the Financial Statements

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16. Capital management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and to maintain a flexible capital structure, which will allow it to pursue the development of its mineral properties. Therefore, the Corporation monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Corporation considers its capital structure to include its working capital deficit of \$260,538 (2018 - \$374,799) and shareholders' deficiency of \$81,513 (2018 - \$195,239). The Corporation monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Corporation may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Corporation's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Corporation is not subject to externally imposed capital requirements. There has been no change in the Corporation's approach to capital management during the years ended December 31, 2019 and 2018. The Corporation has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

17. Financial instruments and risk management

The Corporation's financial instruments include cash, other receivables, due to related parties, mineral property security deposits, and trade and other payables. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity. The Corporation has exposure to credit risk, liquidity risk and interest rate risk as a result of its use of financial instruments. The Corporation has policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's policy is to ensure that its investments are liquid.

The Corporation's other receivables relates primarily to Goods and Services Tax input tax credits. Accordingly, the Corporation views credit risk on other receivables as minimal and has subsequently collected the outstanding amount.

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For the years ended December 31, 2019 and 2018

17. Financial instruments and risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Corporation's reputation.

The Corporation prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Corporation raises funds through private equity placements. The Corporation's liquidity position has weakened since the beginning of the year due to the cost of ongoing exploration and corporate activities exceeding funds raised during the period. Current market conditions resulting from the global credit crisis have created unfavourable terms for equity financings required for junior mineral exploration companies, including the Corporation. As a result, the Corporation is currently evaluating alternatives to raise additional capital to improve liquidity.

As at December 31, 2019, the Corporation's financial liabilities were comprised of accounts payable and accrued liabilities, which all have a maturity of less than one year.

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk primarily through its variable interest rate on its cash and mineral property security terms deposits as it has not entered into any interest rate contracts. For the years ended December 31, 2019 and 2018, if interest rates had been 1% higher with all other variables held constant, the change in net loss would have been insignificant.

18. Subsequent event

Subsequent to year end, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, 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 any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operations in future periods.