

STRATABOUND MINERALS CORP.  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
For the three months ended March 31, 2020 and 2019

In accordance with National instrument 51-102 of the Canadian Securities Administrators, Stratabound Minerals Corp. discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the three months ending March 31, 2020 and 2019.

**STRATABOUND MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As At	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 4,502	\$ 26,076
Marketable securities (Note 3)	36,000	36,000
Prepaid expenses	27,874	53,551
GST receivable	88,998	72,568
	157,374	188,195
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	898	971
Mineral exploration and evaluation assets (Note 4)	3,169,437	3,086,102
	\$ 3,327,709	\$ 3,275,268
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 376,034	\$ 230,101
Flow-through share - other liability (Note 6)	-	12,111
	\$ 376,034	\$ 242,212
<b>NON-CURRENT LIABILITIES</b>		
Rehabilitation provision (Note 4)	13,548	13,497
	\$ 389,582	\$ 255,709
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 6)	17,681,102	17,665,020
CONTRIBUTED SURPLUS (Note 6)	1,362,396	1,315,593
DEFICIT	(16,105,371)	(15,961,054)
	2,938,127	3,019,559
	\$ 3,327,709	\$ 3,275,268

Subsequent Events (Note 11)

Approved on behalf of the Board

Director "R. Kim Tyler"

Director "Hashim Ahmed"

**STRATABOUND MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the three months ended March 31,	2020	2019
<b>EXPENSES</b>		
General and administrative (Note 5)	\$ (159,781)	\$ (54,568)
Gain on settlement of debt	3,477	
Interest and accretion expense	(51)	(985)
Amortization	(73)	(104)
<b>TOTAL EXPENSES</b>	<b>(156,428)</b>	<b>(55,657)</b>
<b>LOSS FROM OPERATIONS</b>	<b>(156,428)</b>	<b>(55,657)</b>
Flow-through share - income (Note 6)	12,111	277,272
Impairment of marketable securities (Note 3)	-	(10,000)
<b>Other income</b>	<b>12,111</b>	<b>267,272</b>
<b>LOSS AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>(144,317)</b>	<b>211,615</b>
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<b>BASIC AND DILUTED INCOME (LOSS) PER SHARE</b>	<b>(0.003)</b>	<b>\$ 0.01</b>
<b>Weighted average number of shares:</b>		
Basic and diluted (Note 6)	44,393,373	35,037,196

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

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

	Number of issued and outstanding shares	Share Capital	Contributed surplus	Deficit	Shareholders' Equity
	#	\$	\$	\$	\$
<b>Balance at January 1, 2020</b>	44,032,817	17,665,020	1,315,593	(15,961,054)	3,019,559
Warrant exercise (Note 6)	15,000	1,500	-	-	1,500
Shares issued for mineral properties (Note 4, Note 6)	590,000	64,900	-	-	64,900
Change in equity as a result of warrant re-pricing and extension (Note 6)	-	(46,803)	46,803	-	-
Share issue costs	-	(3,515)	-	-	(3,515)
Comprehensive loss for the period	-	-	-	(144,317)	(144,317)
<b>Balance at March 31, 2020</b>	<b>44,637,817</b>	<b>17,681,102</b>	<b>1,362,396</b>	<b>(16,105,371)</b>	<b>2,938,127</b>
<b>Balance at January 1, 2019</b>	35,037,196	17,153,280	1,059,261	(15,707,589)	2,504,952
Comprehensive income for the period	-	-	-	211,615	211,615
<b>Balance at March 31, 2019</b>	<b>35,037,196</b>	<b>17,153,280</b>	<b>1,059,261</b>	<b>(15,495,974)</b>	<b>2,716,567</b>

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

**STRATABOUND MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended March 31,	2020	2019
<b>OPERATING ACTIVITIES</b>		
Income (loss) for the year	\$ (144,317)	\$ 211,615
Items not affecting cash:		
Impairment of marketable securities (Note 3)	-	10,000
Flow-through share income (Note 6)	(12,111)	(277,272)
Gain on settlement of debt	3,477	-
Amortization	73	104
Interest and accretion expense (Note 4)	51	985
	<u>(152,827)</u>	<u>(54,568)</u>
Change in non-cash working capital items	<u>133,268</u>	<u>34,231</u>
Net cash used in operations	<u>(19,559)</u>	<u>(20,337)</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of option on Golden Culvert property (Note 4)	-	-
Expenditures on mineral exploration and evaluation assets (Note 4)	-	(15,173)
Reclamation expenditures	-	-
Net cash used in investing activities	<u>-</u>	<u>(15,173)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from warrant exercise (Note 6)	1,500	-
Share issue costs	(3,515)	-
Net cash used in financing activities	<u>(2,015)</u>	<u>-</u>
<b>CHANGE IN CASH</b>	<b>(21,574)</b>	<b>(35,510)</b>
CASH, beginning of period	<u>26,076</u>	<u>377,657</u>
<b>CASH, end of period</b>	<b>\$ 4,502</b>	<b>\$ 342,147</b>

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

**STRATABOUND MINERALS CORP.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

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**1. CORPORATE INFORMATION**

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

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 25, 2020.

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretation made by the International Financial Reporting Standards Interpretation Committee (“IFRIC”). These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

**b) Basis of measurement and going concern**

The business of exploring for mineral resources involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations. The Company’s ability to repay its loans, to meet its obligations arising from exploration and development activity and to provide working capital for normal operations is dependent upon the existence of economically recoverable reserves; the ability of the Company to continue to secure financial support from the public market; the ability to complete future equity financing; as well as the ability to generate future profitable production or proceeds from the disposition of its properties. The Company has a history of losses, with an accumulated deficit of \$16,105,371 at March 31, 2020. The Company is dependent on its ability to raise additional funds through equity financing in order to meet the Company’s current liabilities and continue exploring its mineral resources. As there is no assurance the Company will be successful in these efforts, these conditions result in material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

**3. MARKETABLE SECURITIES AND TAYLOR BROOK OPTION**

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

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**3. MARKETABLE SECURITIES AND TAYLOR BROOK OPTION (Continued)**

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

Balance at January 1, 2019	\$	60,000
Marketable securities received		32,000
Impairment based on decline in fair value		(56,000)
<b>Balance at December 31, 2019</b>	<b>\$</b>	<b>36,000</b>
Impairment based on decline in fair value		-
<b>Balance at March 31, 2020</b>		<b>\$ 36,000</b>

**4. MINERAL EXPLORATION AND EVALUATION ASSETS**

Balance at January 1, 2019		\$ 2,444,800
Acquisition, renewal, and exploration costs		479,378
Provision for rehabilitation costs		13,497
Shares issued for exploration costs		120,427
Option payments		60,000
Disposal of properties (Note 3)		(32,000)
<b>Balance at December 31, 2019</b>	<b>\$</b>	<b>3,086,102</b>
Acquisition, renewal, and exploration costs		18,435
Shares issued		64,900
<b>Balance at March 31, 2020</b>		<b>\$ 3,169,437</b>

**a) Golden Culvert, Yukon Territory**

On December 15, 2017 the Company completed the purchase from South Shore Partnership Inc. (South Shore) of an option to acquire the Golden Culvert and Little Hyland properties comprising 431 mineral claims in the Little Hyland Valley District of the Southeastern Yukon Territory, approximately 205 kilometres north of the town of Watson Lake. At closing the Company paid South Shore \$100,000 cash and issued South Shore's nominees 12,000,000 common shares and

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**4. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)**

6,000,000 common share purchase warrants, each warrant exercisable at \$0.075 and expiring December 15, 2019. The amount recorded was based upon the fair value of the equity instrument provided using market price for the common shares and the Black-Scholes option pricing model for the warrants with the following assumptions: weighted average life, 2 years; risk-free rate, 2%; expected volatility, 219%; and, a dividend yield, 0%. All warrants granted vested immediately.

An additional \$100,000 cash payment due April 15, 2018 was made in March 2018, and a required additional share issuance of 5,000,000 shares was made at December 15, 2018 recorded at the market price for \$125,000. A final share issuance to Southshore of 833,333 shares recorded at the market price of \$50,000 was made on December 12, 2019 completing the final obligation to Southshore and now Stratabound only has obligations directly under the Option Agreement with the Optionors.

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

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

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

Except the 2019 Little Hyland payment, the above payments may be made in cash or at Stratabound's election, up to 50% in Stratabound common shares based on the 30-day weighted average price of Stratabound shares at the date of issuance.

The 2018 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$80,000 in cash and 225,989 common shares of the Company issued at a price of \$0.354 per share for \$80,000. The December 2019 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$60,000 in cash and 873,786 common shares of the Company, recorded at the market price of \$52,427.

Exercise of the options will also require fulfillment of work requirements of \$350,000 exploration expenditures at each of the Golden Culvert and Little Hyland properties during the period ending September 27, 2022. The Golden Culvert work commitment was fulfilled during 2018 and at March 31, 2020 the Little Hyland work commitment has not yet been fulfilled. The claims are subject to net smelter return (NSR) royalties aggregating to 2.5% to South Shore and the Optionors.

During 2019, the Company recognized a rehabilitation provision for reclamation of trenching performed on the property. This rehabilitation must be completed by the year 2026. Accretion of expense of \$51 was recorded during the period ended March 31, 2020 (2019 - \$nil), and the carrying value of the reclamation provision at March 31, 2020 is \$13,548 (2019 - \$13,497).

The carrying value of the Golden Culvert property at March 31, 2020 is \$2,565,627 (2019 - \$2,553,695).



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**4. MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)**

**b) Bathurst, New Brunswick**

The Company holds a 100% interest in 158 units and one mining lease in the Bathurst base metal mining camp in New Brunswick, Canada. The properties include the CNE/Captain Company, CNE Mining Lease and Taylor Brook (see Note 3) claim groups. All are subject to 1% net smelter return on production, with the exception of the portion of the CNE/Captain Group, which is royalty free. The carrying value of the Bathurst properties at March 31, 2020 is \$433,322 (2019 - \$426,858).

**c) McIntyre Brook, New Brunswick**

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

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

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

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

The carrying value of the McIntyre Brook property at March 31, 2020 is \$105,588 (2019 - \$105,549).

**d) McIntyre-Moose Brook, New Brunswick**

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre-Moose Brook property, which is adjacent to the McIntyre Brook Gold Project, described in 4. c), above. At closing, the Company issued 500,000 common shares to the Optionors recorded at their market value of \$55,000. The Company has committed to complete \$50,000 of exploration work at the property, with minimum work commitments as follows:

- \$10,000 on or before February 5, 2021;
- \$10,000 on or before February 5, 2022;
- \$15,000 on or before February 5, 2023; and,
- \$15,000 on or before February 5, 2024.

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4. **MINERAL EXPLORATION AND EVALUATION ASSETS (Continued)**

Maintenance and exercise of the option will require the following payments to the Optionors:

Payment Date	McIntyre-Moose Brook
February 5, 2021	\$40,000
February 5, 2022	\$60,000
February 5, 2023	\$70,000
February 5, 2024	\$80,000

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

The carrying value of the McIntyre-Moose Brook property at March 31, 2020 is \$55,000 (2019 - \$nil).

e) **Gold Brook, New Brunswick**

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the Gold Brook property, which is adjacent to the McIntyre Brook Gold Project, described in 4. c), above. At closing, the Company issued 90,000 common shares to the Optionors recorded at their market value of \$9,900. The Company has committed to complete \$10,000 of exploration work at the property, with minimum work commitments as follows:

- \$5,000 on or before February 5, 2022; and,
- \$5,000 on or before February 5, 2023.

Maintenance and exercise of the option will require the following payments to the Optionors:

Payment Date	Gold Brook
February 5, 2021	\$5,000
February 5, 2022	\$10,000
February 5, 2023	\$15,000

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

The carrying value of the Gold Brook property at March 31, 2020 is \$9,900 (2019 - \$nil).

5. **ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND RELATED PARTY TRANSACTIONS**

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

Compensation awarded to key management were consulting fees of \$60,000 (2019 - \$24,000). Key management includes the Company's officers and directors. Also included in accounts payable and accrued liabilities at March 31, 2020 is \$227,255 (December 31, 2019 - \$111,389) owing to officers and directors of the Company primarily for expenses incurred on behalf of the Company.

During the period, the Company realized a gain on settlement of accounts payable of \$3,477 (2019 - \$nil).

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

STRATABOUND MINERALS CORP.  
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FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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6. SHARE CAPITAL

a) Authorized

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

b) Issuance of securities

- i) During June 2019, the Company completed a common share consolidation on the basis of six old shares per one new share. Subsequent to the consolidation, the Company had a total of 35,037,087 outstanding common shares.
- ii) During July 2019, the Company issued 1,777,500 units at a price of \$0.08 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 24 months from the closing at an exercise price of \$0.10 per share. Additionally, the Company issued 1,211,111 flow-through units at a price of \$0.09 per flow-through unit. Each flow-through unit consisted of one common share issued on a flow-through basis and one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of 12 months from the closing at an exercise price of \$0.12 per share. The Company issued 84,777 finder's warrants exercisable at \$0.09 for 18 months from the date of issue in connection with the private placement, recorded as a share issue cost of \$4,691. The fair value of each finders warrant granted estimated using the Black-Scholes pricing model for the issuance of warrants was \$0.0553, using the following assumptions: weighted average life of 1.5 years; risk-free rate of 1.51%; expected volatility of 171%; and, a dividend yield of 0%. The flow-through share issuance included a premium of \$12,111 (2018 - \$277,272), recorded as a liability of the Company. This premium of \$12,111 was recognized as income during the first quarter of 2020, when the exploration expense renunciation was filed with the Government of Canada.
- iii) During November 2019, the Company issued 300,000 common shares, recorded at their market value of \$18,000, in connection with the acquisition of the McIntyre Brook property (See Note 5).
- iv) During December 2019, the Company issued 4,000,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.09 per share for 24 months from the date of issue.
- v) During December 2019, the Company issued 873,786 common shares, recorded at their market value of \$52,427, in connection with the 2019 annual option payment on the Golden Culvert property.
- vi) During December 2019, the Company issued 833,333 common shares, recorded at their market value of \$50,000, as final payment to the nominees of South Shore Partnership Inc. (see Note 4).
- vii) During January, 2020, 15,000 shares were issued for \$1,500 as a result of the exercise of 15,000 warrants.
- viii) During February 2020, the Company issued 590,000 common shares, recorded at their market value of \$64,900, in connection with the acquisition of the McIntyre-Moose Brook and Gold Brook claim groups (Note 4).

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6. SHARE CAPITAL (Continued)

c) Stock options

The Company has a stock-based compensation plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. The fair value of each option granted, for the most recent option grant, estimated using the Black-Scholes option pricing model for the issuance of options was \$0.0491, using the following assumptions: weighted average life of 5 years; risk-free rate of 2.20%; expected volatility of 349%; and, a dividend yield of 0%. All options granted vest immediately, and therefore a forfeiture rate of 0% was used. The Company last granted options during fiscal 2019. No options have been granted in the 2020 fiscal year up to March 31, 2020.

The following table summarizes the stock option transactions:

	Number	Weighted average exercise price
Outstanding at December 31, 2018	1,122,221	\$ 0.301
Granted	2,300,000	0.10
Outstanding at December 31, 2019	3,422,221	\$ 0.166
Outstanding at March 31, 2020	3,422,221	\$ 0.166

The weighted average exercise prices were modified to reflect the revised exercise prices after the share consolidation.

The following table summarizes the options outstanding and exercisable as at March 31, 2020:

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

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**6. SHARE CAPITAL (Continued)**

**d) Warrants**

The following table summarizes the warrant transactions:

	Number	Weighted Average Exercise price
Outstanding at December 31, 2018	3,062,748	\$ 0.0455
Expired during the year	(52,784)	0.90
Private placement	5,073,388	0.098
Expired during the year (post-consolidation)	(1,972,812)	0.43
Outstanding at December 31, 2019	6,110,540	0.1651
Warrant exercise	(15,000)	0.10
Outstanding at March 31, 2020	6,095,540	\$ 0.1156

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

Warrants outstanding	Exercise price	Expiry date
1,211,111	0.110	July 22, 2020
84,777	0.090	January 22, 2021
319,166	0.20	March 26, 2021
149,496	0.20	April 12, 2021
545,574	0.20	May 7, 2021
22,916	0.20	June 28, 2021
1,762,500	0.100	July 22, 2021
2,000,000	0.090	December 12, 2021
<b>6,095,540</b>	<b>\$ 0.1156</b>	

In March 2020, the Company extended and re-priced the following warrants:

- 319,166 warrants exercisable at \$0.48 with an expiry date of March 26, 2020 are now exercisable at \$0.20 with an expiry date of March 26, 2021;
- 149,496 warrants exercisable at \$0.48 with an expiry date of April 12, 2020 are now exercisable at \$0.20 with an expiry date of April 12, 2021;
- 545,574 warrants exercisable at \$0.48 with an expiry date of May 7, 2020 are now exercisable at \$0.20 with an expiry date of May 7, 2021; and
- 22,916 warrants exercisable at \$0.48 with an expiry date of June 28, 2020 are now exercisable at \$0.20 with an expiry date of June 28, 2021.

In addition, the re-priced and extended warrants contain an acceleration clause, in that if the shares trade at or more than \$0.24 for a 10-day period, the expiry date shall terminate upon 30 days' notice. The Company treated this re-pricing event as the cancellation and issuance of new warrants, and as a result recognized a charge to share capital, and a corresponding increase to contributed surplus in the amount of \$46,803, estimated using the Black-Scholes option pricing model using the following assumptions: weighted average life of 1-1.25 years; risk-free rate of 1.23%; expected volatility of 390%; and, a dividend yield of 0%. All warrants granted vested immediately, and therefore a forfeiture rate of 0% was used.

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**6. SHARE CAPITAL (Continued)**

**e) Nature and purpose of equity and reserves**

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

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

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

**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

- Market risk
- Credit risk
- Liquidity risk

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

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

**General objectives, policies and processes**

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

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

**a) Market risk**

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

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

The Company is exposed to foreign currency risk in that some of its accounts payables are denominated in a foreign currency. Management believes that the Company is not exposed to significant foreign currency risk. In addition, the Company is exposed to equity price risk as a result of its marketable securities (Note 3). Management monitors the equity price of the investment to manage its exposure to the equity price risk.

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Credit risk

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

The carrying amount of cash represents the maximum credit exposure. The Company has gross credit exposure at March 31, 2020 and December 31, 2018 of \$4,502 and \$26,076, respectively. Management considers that all financial assets held are of good credit quality, and therefore credit risk is not considered significant.

c) Liquidity risk

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

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

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

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

**Determination of fair value:**

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

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

**Fair value hierarchy:**

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

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

The fair value of the marketable securities is based on quoted prices and is therefore considered to be Level 1.

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**10. CAPITAL MANAGEMENT**

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

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

**11. SUBSEQUENT EVENTS**

Subsequent to March 31, 2020, the Company issued 600,000 options to new directors of the Company and 300,000 common shares and 200,000 options to Company management.

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