



INTERNATIONAL PROSPECT VENTURES LTD.

**Consolidated Financial Statements
For the years ended December 31, 2019 and 2018**

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of International Prospect Ventures Ltd.:

Opinion

We have audited the consolidated financial statements of International Prospect Ventures Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has not yet generated any income or cash flows from its operations and there is no assurance that the business will be profitable in the future. As at December 31, 2019, the Company had an accumulated deficit of \$3,105,605. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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 Anand Beejan.

Montréal, Québec

April 23, 2020

MNP SENCRL, s.r.l.¹

¹ CPA auditor, CA, public accountancy permit no. A126822

INTERNATIONAL PROSPECT VENTURES LTD.**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	8	\$ 336,830	\$ 617,200
Sales taxes recoverable		18,266	2,315
Due from related party	15	-	6,953
Advance to related party	15	1,465	14,274
Prepaid expenses and other	9	6,260	13,779
		362,821	654,521
Non-current assets			
Other assets	10	-	75,610
Exploration and evaluation assets	10	552,303	118,109
TOTAL ASSETS		\$ 915,124	\$ 848,240
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	16	\$ 1,444	\$ 316
Due to related parties	15	101,703	-
Total liabilities		103,147	316
EQUITY			
Share capital	11	3,626,666	3,435,835
Contributed surplus		290,916	224,048
Deficit		(3,105,605)	(2,811,959)
Total equity		811,977	847,924
TOTAL LIABILITIES AND EQUITY		\$ 915,124	\$ 848,240

Going Concern (Note 2)

On behalf of the Board of Directors,

"Glenn J. Mullan"

(signed Glenn J. Mullan)

Director

"Dr. C. Jens Zinke"

(signed C. Jens Zinke)

Director

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

INTERNATIONAL PROSPECT VENTURES LTD.**Consolidated Statements of Net loss and Comprehensive loss**

(Expressed in Canadian Dollars)

		For the year ended December 31,	
	Notes	2019	2018 (Note 20)
Operating expenses			
Audit and accounting fees		\$ 63,918	\$ 43,448
Share-based payments	11	60,172	-
Legal and other fees		47,923	44,460
Travel and entertainment		41,673	4,129
Impairment of exploration and evaluation assets (note 10)		30,000	-
Regulatory and transfer agent fees		18,103	20,836
Office expenses		15,943	12,584
Investor relations fees		10,500	10,358
Shareholders' information		6,896	3,508
Exploration and evaluation expenses		367	16,046
Loss on settlement of debt	11	-	39,000
Operating loss		295,495	194,369
Other expenses (income)			
Foreign exchange loss		1,063	442
Interest expense		1,148	438
Interest income		(175)	(460)
		2,036	420
Net loss and total comprehensive loss for the year		\$ 297,531	\$ 194,789
Basic and diluted net loss per common share	12	\$ (0.011)	\$ (0.008)
Weighted average number of common shares outstanding	12	26,967,238	25,350,525

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

INTERNATIONAL PROSPECT VENTURES LTD.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

		Share capital		Contributed Surplus		Deficit	Total
		Number					
Balance on January 1, 2019		25,503,128	\$ 3,435,835	\$ 224,048	\$ (2,811,959)	\$	847,924
Issuance of shares to acquire Valroc	11	1,600,000	200,000	-	-		200,000
Share-based payments		-	-	70,753	-		70,753
Share issue expenses		-	(9,169)	-	-		(9,169)
Expiry of stock options		-	-	(3,885)	3,885		-
Net loss and comprehensive loss for the year		-	-	-	(297,531)		(297,531)
Balance on December 31, 2019		27,103,128	\$ 3,626,666	\$ 290,916	\$ (3,105,605)	\$	811,977

	Notes	Share capital		Contributed Surplus		Deficit	Total
		Number					
Balance on January 1, 2018		25,103,128	\$ 3,330,832	\$ 228,048	\$ (2,617,170)	\$	941,710
Issuance of shares on exercise of stock options	11	100,000	9,000	(4,000)	-		5,000
Issuance of shares on settlement of debt	11	300,000	99,000	-	-		99,000
Share issue expenses		-	(2,997)	-	-		(2,997)
Net loss and comprehensive loss for the year		-	-	-	(194,789)		(194,789)
Balance on December 31, 2018		25,503,128	\$ 3,435,835	\$ 224,048	\$ (2,811,959)	\$	847,924

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

INTERNATIONAL PROSPECT VENTURES LTD.**Consolidated Statements of Cash Flows**

(Expressed in Canadian Dollars)

	For the year ended December 31,	
	2019	2018
OPERATING ACTIVITIES		
Net loss for the year	\$ (297,531)	\$ (194,789)
Adjustments:		
Share-based payment	60,172	-
Impairment of exploration and evaluation assets	30,000	-
Loss on settlement of debt	-	39,000
	(207,359)	(155,789)
Change in non-cash working capital items		
Prepaid expenses and other	7,519	(887)
Sales taxes recoverable	(15,951)	30,224
Due from/to related party	29,256	(6,953)
Accounts payable and accrued liabilities	1,128	(44,996)
	21,952	(22,612)
Cashflows used by operating activities	(185,407)	(178,401)
INVESTING ACTIVITIES		
Additions to exploration and evaluation assets	(98,603)	(23,079)
Advance to related party	12,809	15,560
Cashflows used by investing activities	(85,794)	(7,519)
FINANCING ACTIVITIES		
Issuance of shares from exercise of stock options	-	5,000
Share issue expenses	(9,169)	(2,997)
Cashflows from (used by) financing activities	(9,169)	2,003
Decrease in cash	(280,370)	(183,917)
Cash and cash equivalents, beginning of year	617,200	801,117
Cash and cash equivalents, end of year	\$ 336,830	\$ 617,200

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

INTERNATIONAL PROSPECT VENTURES INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars unless otherwise noted)

1) STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

International Prospect Ventures Ltd (the "Company" or "International Prospect"), incorporated on February 18, 2010 under the Business Corporations Act of British Columbia, is involved in the process of exploring, evaluating and promoting its mineral properties and other projects.

The head office of the Company is located at 152 Chemin de la Mine École, Val-d'Or, Québec, J9P 7B6. The Company's registered and records office is located at #530 - 355 Burrard Street, Vancouver, B.C. V6C 2G8. The Company also has exploration offices located at 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9. The Company's common shares are trading on the TSX Venture Exchange under the trading symbol "IZZ".

As at December 31, 2019, Golden Valley Mines Ltd. ("Golden Valley"), a significant shareholder, held a 16.50% (2018 – 17.53%) interest in the Company.

The Board of Directors approved the audited consolidated financial statements for issue on April 23, 2020.

2) GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financing Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's ability to continue as a going concern depends upon its ability to obtain necessary financing to fund its prospecting operations, its projects and continued support of suppliers and creditors. The Company's ability to raise enough financing to meet these objectives cannot be determined at this time. The Company's business involves a high degree of risk and there is no assurance that the Company will be successful in discovering economically recoverable deposits on its mineral properties. Furthermore, the Company has not yet generated any income or cash flows from its operations and there is no assurance that the business will be profitable in the future. As at December 31, 2019, the Company has an accumulated deficit of \$3,105,605 (\$2,811,959 as at December 31, 2018).

These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. The carrying amounts of assets, liabilities and expenses presented in the consolidated financial statements and the classification used in the consolidated financial statements have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

INTERNATIONAL PROSPECT VENTURES INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars unless otherwise noted)

3) BASIS OF PRESENTATION

These consolidated financial statements include the accounts of International Prospect and its wholly-owned subsidiary, Valroc Ventures Pty Ltd. (“Valroc”), a New South Wales company, located in Australia. Subsidiaries are consolidated where the Company has the ability to exercise control. Control of an investee exists when the Company is exposed to variable returns from the Company’s involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. All intercompany balances, transactions, income and expenses and gains or losses have been eliminated on consolidation.

4) ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IAS 1 "Presentation of Financial Statements" ("IAS 1")

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. IAS 1 has been revised to incorporate a new definition of “material” and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. As of January 1, 2020, the Company has adopted IAS 1 and has concluded that, based on its current operations, the adoption of IAS 1 had no significant impact on the Company’s consolidated financial statements.

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8")

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

INTERNATIONAL PROSPECT VENTURES INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars unless otherwise noted)

4) ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8") (continued)

As of January 1, 2020, the Company has adopted IAS 8 and has concluded that, based on its current operations, the adoption of IAS 8 had no significant impact on the Company's consolidated financial statements.

5) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below:

a) Accounting standards issued and in effect during the year

IFRS 16 - Leases

In January 2016, the IASB published IFRS 16 –Leases, which will replace IAS 17 –Leases. This IFRS eliminates the classification of an operating lease and requires lessees to recognise a right-of-use asset and a lease liability for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, and largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. As of January 1, 2019, the Company has adopted IFRS 16 and has concluded that, based on its current operations, the adoption of IFRS 16 had no significant impact on the Company's consolidated financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. As of January 1, 2019, the Company has adopted IFRIC 23 and has concluded that, based on its current operations, the adoption of IFRIC 23 had no significant impact on the Company's consolidated financial statements.

INTERNATIONAL PROSPECT VENTURES INC.

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise noted)



5) SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly-owned subsidiary.

c) Foreign currency transactions

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position date, whereas nonmonetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Expenses are translated at the exchange rate in effect at the transaction date. Expenses settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of net loss and comprehensive loss.

d) Segment disclosure

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and the Board of Directors. The Company has determined that it has only one operating segment, the sector of exploration and evaluation of mineral resources. The Company's exploration and evaluation assets are located in Canada and Australia.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and demand deposit, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

f) Tax credits receivable

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

g) Exploration and evaluation expenditures and exploration and evaluation assets

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

INTERNATIONAL PROSPECT VENTURES INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(Expressed in Canadian dollars unless otherwise noted)



5) SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Exploration and evaluation expenditures and exploration and evaluation assets (continued)

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

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in the statement of net loss. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in the consolidated statements of net loss and comprehensive loss before reclassification.

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

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

Impairment of exploration and evaluation assets

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

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

INTERNATIONAL PROSPECT VENTURES INC.

Notes to Consolidated Financial Statements

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5) SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Exploration and evaluation expenditures and exploration and evaluation assets (continued)

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

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

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

An impairment loss is recognized in the consolidated statements of net loss and comprehensive loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount, as long as the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset or cash generating units in prior year.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer is credited against the carrying amount of costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in the consolidated statements of net loss and comprehensive loss.

INTERNATIONAL PROSPECT VENTURES INC.

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(Expressed in Canadian dollars unless otherwise noted)



5) SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Provisions

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

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

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

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

At December 31, 2019 and 2018, there is no provision in the consolidated statements of financial position.

i) Income taxes

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

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

INTERNATIONAL PROSPECT VENTURES INC.

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise noted)



5) SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes (continued)

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that the reversal will occur in the foreseeable future.

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

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

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

j) Equity

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

Unit placements

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of warrants using the Black-Scholes valuation model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares.

INTERNATIONAL PROSPECT VENTURES INC.

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(Expressed in Canadian dollars unless otherwise noted)



5) SIGNIFICANT ACCOUNTING POLICIES (continued)

Unit placements(continued)

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

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

Other elements of equity

Contributed surplus includes charges related to stock options until such are exercised. Upon expiry, the fair value initially recorded under contributed surplus is transferred to deficit.

Warrants include fair values allocated to the warrants issued. When warrants are exercised, the related cost and fair value are transferred to share capital. Upon expiry, the fair value initially recorded under warrant reserve is transferred to deficit.

Deficit includes all current and prior period retained profits and losses. Deficit also includes charges related to warrants and stock options expired.

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5) SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payments

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

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

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

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

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

k) Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the same period.

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5) SIGNIFICANT ACCOUNTING POLICIES (continued)

Diluted loss per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and options.

1) Financial Instruments

Classification

Financial Assets/Liabilities	Classification
Cash and cash equivalents	Financial asset at amortized costs
Due from related parties	Financial asset at amortized costs
Advance to related party	Financial asset at amortized costs
Due to related parties	Financial liabilities at amortized costs
Accounts payable and accrued liabilities	Financial liabilities at amortized costs

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit or loss ("FVTPL"). For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("FVTOCI"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

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5) SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

6) JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Going concern

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

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6) JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Recognition of deferred tax assets and measurement of income tax expense

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

Impairment of exploration and evaluation assets

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

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

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

Operating segment

The ability to aggregate the Company's operating segments based on similar economic characteristics requires judgment to be applied and is dependent on entity-specific facts and circumstances.

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6) JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates

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

Fair value of stock options

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the volatility, the probable life of share options granted and the time of exercise of those share options.

Warrants

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

7) ACQUISITION OF VALROC VENTURES PTY LTD.

On September 21, 2017, the Company entered into an agreement with Valroc, pursuant to which the Company and Valroc will jointly acquire certain mining claims located in Western Australia, each with an undivided 50% interest. Valroc will be responsible for arranging to have the claims acquired, registered and held in good standing. The Company will pay all of the costs of acquiring the claims, and other related costs including the costs of initial technical compilations and program reviews up to a maximum of \$120,000 to allow the Company and Valroc to consider establishing a proper joint venture arrangement on or around December 31, 2017.

On December 12, 2017, the Company and Valroc entered into a binding share exchange agreement ("Valroc agreement") to acquire 100% interest in Valroc. Pursuant to the terms of the Valroc agreement, the owner of Valroc will exchange with the Company all of the issued and outstanding shares of Valroc for 1,600,000 common shares of the Company on the terms and conditions set forth in the Valroc agreement and Valroc will become a wholly owned subsidiary of the Company such that the Company will then own a 100% interest in the tenements upon the applications for such tenements being granted.

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7) ACQUISITION OF VALROC VENTURES PTY LTD. (continued)

Completion of the transactions contemplated by the Valroc agreement is conditional on the applications for the tenements being granted and acceptance by the TSX Venture Exchange.

On January 31, 2019, pursuant to the Valroc agreement, the Company acquired all of the issued and outstanding shares of Valroc and as consideration for the acquisition, the Company issued 1,600,000 common shares of the Company to the owner of Valroc. Valroc is now a wholly owned subsidiary of the Company such that the Company now owns a 100% interest in the tenements. These consolidated financial statements include Valroc's results from January 31, 2019 to December 31, 2019.

The acquisition of Valroc does not meet the definition of a business combination under IFRS 3 "Business Combinations" as the primary assets acquired are the tenements. Accordingly, the purchase of Valroc's net assets will be an equity-settled share-based payment under IFRS 2 "Share-based Payment" once the conditions under the Valroc agreement are met. In accordance with IFRS 2, equity instruments from this transaction will be recognized at fair value of net assets acquired. Net assets acquired consist of eight tenements which will be measured at the amount of the excess of the fair value of equity instruments deemed issued to Valroc at the time of completion and Valroc's net assets acquired.

The following table summarizes the fair value of the total consideration transferred to the owner of Valroc and the fair value of identified assets acquired and liabilities assumed:

Consideration transferred	
Issuance of 1,600,000 common shares	\$ 200,000
Net assets acquired	
Tenements	\$ 200,000

8) CASH AND CASH EQUIVALENTS

	As at December 31, 2019	As at December 31, 2018
Cash	\$ 286,655	\$ 567,200
Demand deposits	50,175	50,000
	\$ 336,830	\$ 617,200

The deposit is due on demand, bears interest at 1.45% per annum and maturing on October 25, 2020.

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9) PREPAIDS EXPENSES AND OTHER

	As at December 31, 2019		As at December 31, 2018	
Prepaid expenses	\$	6,045	\$	6,064
Other		215		7,715
	\$	6,260	\$	13,779

10) EXPLORATION AND EVALUATION ASSETS

The following table presents the additions to exploration and evaluation assets by categories for the years ended December 31, 2019 and 2018:

	As at January 1, 2018		As at December 31, 2018		Acquisition	Impairment	Reclassification	As at December 31, 2019
Claim and claim maintenance	\$ 18,269	\$ 4,993	\$ 23,262	\$ 34,244	\$ -	\$ -	\$ 72,796	\$ 130,302
Acquisition of tenements (note 7)	-	-	-	-	200,000	-	-	200,000
Program management	-	-	-	124,713	-	-	-	124,713
Geophysics	51,926	-	51,926	-	-	-	-	51,926
Geology	17,120	4,424	21,544	19,382	-	-	-	40,926
Other	529	848	1,377	245	-	-	2,814	4,436
Royalty advances (note 15)	10,000	10,000	20,000	10,000	-	(30,000)	-	-
	\$ 97,844	\$ 20,265	\$ 118,109	\$ 188,584	\$ 200,000	\$ (30,000)	\$ 75,610	\$ 552,303

Deposits of \$72,796 as at December 31, 2018 have been reclassified from “Other assets” to “Exploration and Evaluation Assets” as the Company was granted exploration licences on its tenements (note 7).

The following table presents exploration and evaluation assets by properties

	As at December 31, 2019		As at December 31, 2018	
Pilbara Region	\$	447,133	\$	4,500
Porcupine Miracle		92,050		112,050
Other		13,120		1,559
Total	\$	552,303	\$	118,109

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10) EXPLORATION AND EVALUATION ASSETS (continued)

Pilbara Region – Western Australia

The Company and Valroc have staked eight tenements to date, in an area southeast of Karratha, Western Australia, covering a total area of approximately 1,026 square kilometres and proximal to and/or cover target lithologies for gold-bearing conglomerate/sedimentary rocks at the base of the Mt. Roe Basalt (2 tenements), gold-bearing Mosquito Creek and Hardey formations (4 tenements), and other prospective rocks of the Fortescue Group (2 tenements). Seven of the eight tenements are proximal to lands held by Novo Resources, Pacton Gold, and Millennium Minerals.

Granting of the exploration licences for all eight properties was completed as of January 9, 2019. Consequently, the deposits of \$72,796, plus other costs of \$2,814, classified as “Other assets” in fiscal year 2018 have been reclassified to “Exploration and evaluation assets” in fiscal year 2019. In addition, on acquisition of the tenements from Valroc for consideration of 1,600,000 common shares of the Company, the acquired tenements were assigned a fair valued of \$200,000. Through the acquisition of Valroc, the Company now holds 100% ownership of eight tenements.

Porcupine Miracle Prospect - Langmuir Township, Ontario

The Company owns a 100% interest in the Porcupine Miracle Prospect which comprises nine (9) claim cells located in Langmuir Township in the province of Ontario, Canada. The property will be subject to a royalty in favor of 2973090 Canada Inc, a company controlled by the President, equal to 3% of net smelter returns. In addition, advance royalty payments of \$10,000 per annum will be payable by the Company, which commenced on July 17, 2017; the advance royalty payments will be deducted from the amounts payable under the royalty. In fiscal year 2019, an impairment charge of \$30,000 was recognized in the property.

Beartooth Island Prospect - Athabaska Basin, Saskatchewan

On March 31, 2011, the Company acquired Golden Valley's 40% interest in the Beartooth Island Prospect which was comprised of four (4) mining claims. This property is the object of an agreement with Ditem Explorations Inc (“Ditem”). Ditem can acquire an additional 6% interest in the property by advising the Company of its intent to complete and by completing a feasibility study at its sole cost within the period of 6 years from the operative date, subject to and in accordance with the terms of the agreement. Following the final vesting, the Company will retain an aggregate of 34% undivided interest in the property. The Company presently has a 40% interest therein on the remaining two (2) property mining claims; Ditem is the operator. Since the operator was not planning any work in the near future, the Company recognized an impairment in a previous fiscal year.

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10) EXPLORATION AND EVALUATION ASSETS (continued)

Otish/Mistassini Prospect - North Central Québec

The Company owns a 100% interest in the Otish/Mistassini Prospect which comprises 46 mining claims located in the province of Québec. This property was impaired in a previous year.

11) EQUITY

a) Share Capital

Authorized

Unlimited number of voting common shares without par value.

Issue share capital

The change in issued share capital for the year was as follows:

2019 transactions on share capital

As described in note 7, the Company acquired Valroc through the issuance of 1,600,000 of its common shares on January 31, 2019.

2018 transactions on share capital

Settlement of debt

On October 1, 2010, the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Golden Valley Mines Ltd. ("Golden Valley"), a significant shareholder of the Company, pursuant to which Golden Valley will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in-house legal counsel for day to day general enquiries, services of a consultant and investors relations services to the Company in consideration of \$96,000 per year, payable on a monthly basis, plus applicable taxes. However, Golden Valley suspended the management fees of the Company in 2013 to enable the Company to conserve cash for operations.

On January 1, 2018, the Company entered into a Termination Agreement with Golden Valley under which the Company agreed to terminate the Management Agreement, in exchange for a settlement fee of \$60,000 payable by the Company as consideration for its failure to pay the management fees since the date of suspension of the Management Agreement.

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11) EQUITY (continued)

Settlement of debt (continued)

On April 6, 2018, the Company announced that, subject to acceptance by the TSX Venture Exchange and with the intent of preserving its cash resources for operations, it proposed issuing approximately 300,000 common shares at a deemed per share price of \$0.20 in settlement of \$60,000 in accrued debt owed to Golden Valley. On April 19, 2018, the Exchange accepted the shares for debt submission.

On issuance of the 300,000 of its common shares to Golden Valley, the Company recognized a loss on settlement of debt of \$39,000, representing the difference between the deemed share price of \$0.20 per share and the fair value at the time of issuance of \$0.33 per share.

Incentive stock option

On May 11, 2018, 100,000 stock options were exercised at a price of \$0.05 per share for total proceeds of \$5,000.

Share-based payments

The Company has adopted an incentive stock option plan pursuant to which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 10% of the Company's common shares issued and outstanding at the time of grant. The exercise price of each option is fixed by the Board of Directors but shall not be less than the closing price of the Company's share on the trading day immediately prior to the date of grant less any discount permitted by the TSX Venture Exchange (the "Exchange"); if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the Exchange. All share-based payments will be settled in equity. The Company has no legal constructive obligation to repurchase or settle the options in cash.

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11) EQUITY (continued)

Share-based payments (continued)

A summary of changes in the number of incentive stock option for the year ended December 31, 2019 and 2018 is presented as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,260,000	\$ 0.11	2,510,000	\$ 0.10
Granted	500,312	0.16	-	-
Exercised	-	-	(100,000)	0.05
Forfeited	(100,000)	0.05	(150,000)	0.05
Outstanding, end of year	2,660,312	\$ 0.12	2,260,000	\$ 0.11

On February 28, 2019, the Company granted to an officer incentive stock options entitling the purchase 50,000 common shares at an exercise price of \$0.17 per share. The options are exercisable for a period of 5 years until February 28, 2024. All options are exercisable immediately. The fair value of the 50,000 stock options has been estimated on the date of issue at \$7,484, using the Black-Scholes option-pricing model with the following assumptions: share price at date of grant: \$0.17; expected dividend yield: nil; expected volatility: 137.19%; forfeiture rate: 3.0%; risk-free interest rate: 1.8%; expected life: 5 years and exercise price at the date of grant: \$0.17 per share. For the year ended December 31, 2019, an amount of \$7,484 has been expensed as share-based payments in the consolidated statements of net loss and comprehensive loss, respectively.

On June 17, 2019, the Company granted to directors, officers and consultants incentive stock options entitling the purchase 450,312 common shares at an exercise price of \$0.16 per share. The options are exercisable for a period of 5 years until June 17, 2024. All options are exercisable immediately. The fair value of the 450,312 stock options has been estimated on the date of issue at \$63,269, using the Black-Scholes option-pricing model with the following assumptions: share price at date of grant: \$0.16; expected dividend yield: nil; expected volatility: 136.91%; forfeiture rate: 3.0%; risk-free interest rate: 1.34%; expected life: 5 years and exercise price at the date of grant: \$0.16 per share. For the year ended December 31, 2019, an amount of \$52,688 has been expensed as share-based payments in the consolidated statements of net loss and comprehensive loss and of \$nil and \$10,581 has been capitalized to Exploration and Evaluation Assets, respectively.

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11) EQUITY (continued)

Share-based payments (continued)

The expected volatility is based on the historical volatility of the Company, over the period of the expected life of the incentive stock options. The expected life of the incentive stock options is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

The table below summarizes the information related to outstanding share options as at December 31, 2019:

Expiry date	Exercise price	Number of stock options outstanding
February 28, 2024	\$ 0.170	50,000
June 17, 2024	\$ 0.160	450,312
July 10, 2027	\$ 0.050	1,565,000
December 12, 2027	\$ 0.265	595,000
		<u>2,660,312</u>

12) LOSS PER SHARE

Loss per share has been calculated using the weighted average number of common shares outstanding for the years ended December 31, 2019 and 2018 as follows:

	2019	2018
Net loss for the year	\$ (297,531)	\$ (194,789)
Weighted average number of common shares - Basic	26,967,238	25,350,525
Dilutive effect of stock options	-	-
Weighted average number of common shares - Diluted	26,967,238	25,350,525
Basic loss per share	\$ (0.011)	\$ (0.008)
Diluted loss per share	(0.011)	(0.008)

For the years ended December 31, 2019 and 2018, potential dilutive common shares from incentive stock options have not been included in the loss per share calculation as they would result in a reduction of the loss per share.

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13) INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) for the years ended December 31, 2019 and 2018 are outlined below:

	2019	2018
Current tax expense (recovery)	\$ -	\$ -
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(62,226)	(41,793)
Deferred tax expense arising from the write-down of a deferred tax asset	62,226	41,793
	\$ -	\$ -
Total income tax expense (recovery)	\$ -	\$ -

Relationship between expected tax expense and accounting profit or loss

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

	2019	2018
Loss before income taxes	\$ (297,531)	\$ (194,789)
Expected tax expense calculated using the combined Federal and Provincial income tax rate in Canada of 26.60% (26.70% in 2018):	(79,143)	(52,009)
Impact of change in tax rates	-	-
Tax benefits not recognized	62,226	41,793
Share-based payments	17,300	10,413
Other	2,747	(197)
Effect of tax rates in foreign jurisdiction	(3,130)	-
Deferred tax expense (recovery)	\$ -	\$ -

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13) INCOME TAXES (continued)

The statutory tax rate for 2019 and 2018 were 26.60% and 26.70%, respectively. The Québec general corporate tax rate will decrease at an annual rate of 0.10% per year from 11.70% to 11.50% beginning January 1 of each year from 2018 to 2020.

Unrecognized deferred tax assets and liabilities

As at December 31, 2019 and 2018, the Company has the following deductible temporary differences in Canada for which no deferred tax has been recognized:

	2019		2018	
	Federal	Provincial	Federal	Provincial
Share issuance cost	\$ 24,173	\$ 24,173	\$ 30,792	\$ 30,792
Exploration and evaluation assets	851,135	851,135	820,768	820,768
Non-capital losses	1,189,207	1,185,202	1,023,226	1,021,971
	\$ 2,064,515	\$ 2,060,510	\$ 1,874,786	\$ 1,873,531

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2019, deferred tax assets totalling \$546,636 (2018 - \$492,775) have not been recognized.

As at December 31, 2019, the Company has not recognized taxable temporary difference of \$199,021 associated with its investment in its subsidiary. The Company has \$48,981 of net operating losses in Australia for 2019 (2018 - \$nil), which subject to certain conditions, may be carried forward indefinitely.

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

	Federal	Provincial
2030	\$ 486	\$ 486
2031	96,634	96,634
2032	186,377	186,157
2033	62,075	62,041
2034	66,156	66,156
2035	61,396	61,220
2036	84,321	84,321
2037	296,722	296,574
2038	169,059	168,382
2039	165,981	163,231
	\$ 1,189,207	\$ 1,185,202

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13) INCOME TAXES (continued)

The Company has investment tax credits carryover of \$279 (2018-\$279) that expire between 2031 and 2033, which are available to reduce income taxes payable in future years.

14) ADDITIONAL CASH FLOW INFORMATION

The following significant non-cash transactions have been excluded from the Statements of Cash Flows:

	2019	2018
Issuance of share on settlement of debt	\$ -	\$ 60,000
Due to related parties included in exploration and evaluation assets	79,400	-
Issuance of shares on acquisition of Valroc	200,000	-

15) RELATED PARTY BALANCES AND TRANSACTIONS

a) Transactions with a shareholder

On January 1, 2018, the Company entered into a Termination Agreement with Golden Valley under which Golden Valley agrees to terminate the Management Agreement in exchange of a settlement fee of \$60,000. On April 6, 2018, the Company announced that subject to acceptance by the TSX Venture Exchange and with the intent of preserving its cash resources for operations, it proposes to issue approximately 300,000 common shares of the Company at a deemed per share price of \$0.20 in settlement of an amount of \$60,000 owing to Golden Valley. On April 19, 2018, the Exchange accepted the shares for debt submission. On issuance of the 300,000 common shares to Golden Valley, the Company recognized a loss on settlement of debt in the amount of \$39,000.

Pursuant to the termination of the Management Services Agreement, administrative, management and financial services such as office space, administrative support previously provided by Golden Valley has been assumed by the Company.

For the year ended December 31, 2019, Golden Valley recharged general and administrative expenses to the Company for a total amount of \$3,925. Moreover, Golden Valley recharged consulting fees of \$75,000 (2018 - \$nil), capitalized to Exploration and Evaluation Assets, for the services provided by its CEO.

For the year ended December 31, 2018, Golden Valley recharged some expenses to the Company for a total amount of \$17,655 of which \$754 was capitalized as exploration and evaluation assets and \$16,900 was recorded in the consolidated statements of net loss and comprehensive loss.

For efficiency reasons, where the Company and Golden Valley are dealing with the same suppliers one may pay for both and be reimbursed by the other. As at December 31, 2019, the Company had indebtedness of \$68,520 (2018 - \$nil) to Golden Valley, which is included in due to related parties.

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15) RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Transactions with key management

Key management personnel of the Company is comprised of the members of the board of directors, as well as the President and Chief Executive Officer and the Chief Financial Officer (“CFO”). The compensation paid to key management is presented below:

- For the year ended December 31, 2019, the Company incurred consultant fees of \$12,000 (2018 - \$9,000) from Golden Valley relating to the services of the Company’s CFO. These fees are recorded under audit and accounting fees in the consolidated statements of net loss and comprehensive loss. For the year ended December 31, 2018, the Company incurred fees of \$17,700 relating to the services of the former CFO. These fees are recorded under audit and accounting fees in the consolidated statements of net loss and comprehensive loss.
- For the year ended December 31, 2019, the Company incurred consultant fees of \$nil (2018 - \$8,800) relating to the services of the Company’s VP Exploration. These fees are recorded under exploration and evaluation expenses in the consolidated statements of net loss and comprehensive loss.
- As at December 31, 2019, the Company has an advance to a director for an amount of \$1,465 (2018 - \$14,274) which bears no interest and is repayable on demand. The advance is to facilitate any corporate expenditures relating to the agreement with Valroc referred to in note 7.

During the year ended December 31, 2019, as part of a Mining Option Agreement signed on the Porcupine Miracle Prospect (note 10), the Company paid an advance royalty payment of \$10,000 (2018 - \$10,000) to 2973090 Canada Inc., a company controlled by the President.

During the year ended December 31, 2019, the Company granted stock options to Directors and Officers to purchase an aggregate 475,312 common shares of the Company. The Company recorded share-based payments of \$67,240 as part of this transaction. No stock options were granted for the year ended December 31, 2018.

c) Transactions with related parties

For the year ended December 31, 2019, Val-d’Or Mining Corporation (“Val-d’Or Mining”), an entity that has common key management personnel with the Company, recharged general and administrative expenses to the Company for a total amount of \$28,265 (2018 - \$6,953), respectively. Moreover, for the year ended December 31, 2019, Val-d’Or Mining recharged consulting fees of \$48,000 (2018 - \$nil), capitalized to Exploration and Evaluation Assets, for the services provided by its COO.

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15) RELATED PARTY BALANCES AND TRANSACTIONS (continued)

c) Transactions with related parties (continued)

For efficiency reasons, where the Company and Val-d'Or Mining are dealing with the same suppliers one may pay for both and be reimbursed by the other. As at December 31, 2019, due to related parties of \$101,703 consist of indebtedness of \$33,183 (December 31, 2018 – receivable of \$6,593) to Val-d'Or Mining and of \$68,520 (2018 - \$nil) to Golden Valley as discussed above.

16) FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

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

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	\$ 336,830	\$ 336,830	\$ 617,200	\$ 617,200
Due from related party	-	-	6,953	6,953
Advance to related party	1,465	1,465	14,274	14,274
	\$ 338,295	\$ 338,295	\$ 638,427	\$ 638,427

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Accounts payable and accrued liabilities	\$ 1,444	\$ 1,444	\$ 316	\$ 316
Due to related parties	101,703	101,703	-	-
	\$ 103,147	\$ 103,147	\$ 316	\$ 316

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

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16) FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets and liabilities measured at amortized cost for which a fair value is provided in the consolidated statements of financial position are presented in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: 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)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There have been no significant transfers between Level 1, 2 and 3 in the reporting periods. The techniques and evaluation methods used to measure fair value were not changed compared to previous years.

17) CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

The Company monitors capital on the basis of the carrying amount of equity. Capital for reporting period under review is summarized in note 11 and in the statement of changes in equity. The Company is not subject to any externally imposed capital requirements.

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18) FINANCIAL RISKS

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

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

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

Credit risk

Credit risk relates to the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The Company's maximum exposure to credit risk is limited to the carrying amount of cash of \$336,830 at December 31, 2019 and \$617,200 at December 31, 2018. The risk related to cash is considered negligible as the Company is dealing with a reputable financial institution whose credit rating is excellent.

Liquidity risk

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

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

Accounts payable and accrued liabilities are due within less than 90 days. The Company's cash significantly exceed the current cash outflow requirements.

19) COMMITMENTS

Exploration Expenditure Commitment

In order to maintain the Company's interest in mining tenements in Australia, the Company is committed to meet the annual minimum expenditure of approximately \$346,000 (or AUD\$379,000) under which the tenements were granted.

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20) COMPARATIVE FIGURES

Comparative figures have been restated to conform with current year's presentation.

21) SUBSEQUENT EVENT

Subsequent to year-end, the global outbreak of COVID-19 has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. Similarly, the government of Western Australia has imposed strict travel restrictions where the tenements are located.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.