



FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Pacific Empire Minerals Corp.

Opinion

We have audited the accompanying financial statements of Pacific Empire Minerals Corp. (the "Company"), which comprise the statements of financial position as at March 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

July 27, 2020

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Statements of Financial Position

(Expressed in Canadian Dollars)

ASSETS	March 31, 2020	March 31, 2019
Current assets		
Cash	\$ 14,286	\$ 204,491
Receivables (Note 3)	129,856	113,429
Prepaid expenditures	12,767	23,386
Field supplies	121,779	80,019
Marketable securities (Note 4)	235,122	91,694
Total current assets	513,810	513,019
Non-current assets		
Restricted cash (Note 5)	23,000	23,000
Property and equipment (Note 6)	304,889	324,848
Reclamation deposits (Note 7)	67,405	53,500
Exploration and evaluation assets (Note 8)	59,429	68,050
Total non-current assets	454,723	469,398
TOTAL ASSETS	\$ 968,533	\$ 982,417
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 89,410	\$ 34,358
Due to related parties (Note 10)	66,150	9,650
Current lease liability (Note 11)	16,479	-
Total current liabilities	172,039	44,008
Non-current		
Lease liability (Note 11)	13,743	-
Total non-current liabilities	13,743	-
TOTAL LIABILITIES	185,782	44,008
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	4,254,350	3,458,407
Reserves (Note 12)	419,043	358,890
Deficit	(3,890,642)	(2,878,888)
TOTAL SHAREHOLDERS' EQUITY	782,751	938,409
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 968,533	\$ 982,417

Nature of Operations and Ability to Continue as a Going Concern (Note 1)

Events after the Reporting Date (Note 18)

Approved on behalf of the Board of Directors on July 27, 2020

“Brad Peters” , Director

“Larry Donaldson” , Director

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

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Reserves	Deficit	Total
Balance as at March 31, 2018	29,793,850	\$ 3,276,122	\$ 292,440	\$ (1,847,629)	\$ 1,720,933
Shares issued for mineral properties	200,000	32,000	-	-	32,000
Shares issued for cash	1,000,000	170,000	30,000	-	200,000
Share issue costs - cash	-	(14,493)	-	-	(14,493)
Share issue costs - warrants	-	(5,222)	5,222	-	-
Share - based compensation	-	-	31,228	-	31,228
Loss for the year	-	-	-	(1,031,259)	(1,031,259)
Balance as at March 31, 2019	30,993,850	\$ 3,458,407	\$ 358,890	\$ (2,878,888)	\$ 938,409
Balance as at March 31, 2019	30,993,850	\$ 3,458,407	\$ 358,890	\$ (2,878,888)	\$ 938,409
Shares issued for cash	10,672,857	747,100	-	-	747,100
Flow-through shares issued for cash	1,100,000	99,000	-	-	99,000
Flow-through premium liability	-	(16,500)	-	-	(16,500)
Shares issued for mineral properties	150,000	11,250	-	-	11,250
Share issue costs - cash	-	(29,588)	-	-	(29,588)
Share issue costs - warrants	-	(15,319)	15,319	-	-
Share - based compensation	-	-	44,834	-	44,834
Loss for the year	-	-	-	(1,011,754)	(1,011,754)
Balance as at March 31, 2020	42,916,707	\$ 4,254,350	\$ 419,043	\$ (3,890,642)	\$ 782,751

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

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended March 31, 2020	Year Ended March 31, 2019
EXPLORATION EXPENDITURES (Note 9)	\$ 655,030	\$ 477,338
Less: Recoveries (Note 9)	(116,608)	(115,375)
Net exploration expenditures	538,422	361,963
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative and office	71,598	62,536
Amortization (Note 6)	18,554	10,273
Consulting fees (Note 10)	130,100	134,200
Investor relations and shareholder communication	172,351	269,429
Management fees (Note 10)	112,500	120,000
Professional fees	55,125	61,124
Share - based compensation (Note 10 & 12)	44,834	31,228
Travel	1,455	1,472
Total general and administrative expenses	606,517	690,262
Loss from operations	(1,144,939)	(1,052,225)
Option income and sale of royalty interests (Note 8)	49,334	82,509
Foreign exchange loss	(1,151)	(1,268)
Impairment of exploration and evaluation assets (Note 8)	(35,072)	(33,560)
Interest income and other	1,896	552
Flow-through premium liability recovery (Note 12)	16,500	-
Fair value adjustments on marketable securities	101,678	(27,267)
Loss and comprehensive loss for the year	\$ (1,011,754)	\$ (1,031,259)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	41,219,880	30,922,617

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

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended	Year ended
	March 31, 2020	March 31, 2019
Cash flows from operating activities		
Loss for the year	\$ (1,011,754)	\$ (1,031,259)
Item not affecting operating activities:		
Interest income received	(1,896)	(552)
Items not affecting cash:		
Amortization	98,092	59,488
Interest on lease liability	2,681	-
Fair value adjustments on marketable securities	(101,678)	27,267
Option income and sale of royalty interests	(29,334)	(72,509)
Share - based compensation	44,834	31,228
Recovery of flow-through share liability	(16,500)	-
Impairment of exploration and evaluation assets	35,072	33,560
Accrual for exploration tax credits	(116,608)	(102,640)
Changes in non-cash working capital items:		
Receivables	100,181	51,385
Prepaid expenditures	10,619	(8,855)
Accounts payable and accrued liabilities	55,052	(85,560)
Due to related parties	56,500	(12,586)
Field supplies	(41,760)	(80,019)
Total cash used in operating activities	(916,499)	(1,191,052)
Cash flows from investing activities		
Acquisition of exploration and evaluation assets	(27,617)	(53,215)
Interest received on cash	1,896	552
Purchase of property and equipment	(33,537)	(217,778)
Purchase of reclamation deposits	(13,905)	(13,500)
Total cash used in investing activities	(73,163)	(283,941)
Cash flows from financing activities		
Proceeds from the sale of common shares	747,100	200,000
Proceeds from the sale of flow-through shares	99,000	-
Repayment of lease liability	(17,055)	-
Share issuance costs	(29,588)	(13,750)
Total cash provided by financing activities	799,457	186,250
Change in cash	(190,205)	(1,288,743)
Cash, beginning of the year	204,491	1,493,234
Cash, end of the year	\$ 14,286	\$ 204,491

Supplemental disclosure with respect to cash flows (Note 17)

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

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Pacific Empire Minerals Corp. (the “Company” or “Pacific Empire”), was incorporated on July 13, 2012 under the Business Corporations Act (British Columbia). The Company’s principal business activities are the acquisition and exploration of mineral properties in Canada. The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “PEMC” and the OTCQB Venture Market Exchange under the symbol “PEMSF”. The Company’s head office address is at Suite 211, 850 West Hastings Street, Vancouver, British Columbia V6C 1E1, Canada and its registered and records office is located at Suite 1700, 1055 West Hastings Street, Vancouver, British Columbia V6E 2E9, Canada.

These financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company’s continuing operations and the ability of the Company to meet mineral property and other commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing and to find joint venture partners. At the date of these financial statements, the Company has not identified whether any of its properties contain ore reserves that are economically recoverable. At March 31, 2020, the Company has not achieved profitable operations and has accumulated losses since inception.

As at March 31, 2020, the Company had working capital of \$341,771, accumulated deficit of \$3,890,642, and cash of \$14,286. With its current plans and budgets associated with those plans, including the proceeds from the subsequently completed private placements (Note 18), management believes it will have sufficient capital resources to fund its budgeted exploration programs and administrative expenses for the next twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Measurement and Presentation

These financial statements have been prepared on a historical cost basis except for assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars (“CAD”), which is also the Company’s functional currency.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in loss and comprehensive loss.

Equipment

Equipment is recorded at cost and amortized over its estimated useful life using the following method:

Field equipment	20% straight - line method
Computer equipment and software	20% straight - line method
Vehicles and related equipment	20% straight - line method

Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset.

Deposits paid towards the purchase of equipment are classified as non-current prepaid expenditures and will be moved to equipment upon completion of the purchase of the related asset.

Field Supplies

Supplies are measured at the lower of cost and net realizable value and consist of materials and supplies to be consumed in exploration activities. The cost of inventories is based on a weighted average cost formula, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Exploration and Evaluation Assets

Upon acquiring legal title to explore, the acquisition costs of mineral property interests are capitalized and initially measured at cost. Mineral property acquisition costs include the cash consideration and the fair market value of shares issued for mineral property interests pursuant to the terms of the relevant agreements.

Mineral property acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Company are capitalised until the property to which they relate is placed into production, sold or allowed to lapse. These costs will be amortized over the estimated life of the mineral property following commencement of commercial production, or written off if the property is sold, allowed to lapse, or when an impairment of value has been determined to have occurred.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation costs incurred prior to determination of the feasibility of mining operations are expensed as incurred. Re-imbursements of current period exploration and evaluation costs are recognized as a recovery. Re-imbursements of previously expensed exploration and evaluation costs are recognized in profit or loss.

When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

Financial instruments

The Company's financial instruments consist of cash, restricted cash, marketable securities, receivables, reclamation deposits, accounts payable and accrued liabilities, due to related parties, and lease liability. All financial instruments are initially recorded at fair value and designated as follows:

Cash, restricted cash, receivables, and reclamation deposits are classified as financial assets at amortized cost and accounts payable and accrued liabilities, due to related parties, and lease liability are classified as financial liabilities at amortized cost. Both financial assets at amortized cost and financial liabilities at amortized cost are measured at amortized cost using the effective interest method.

Marketable securities are classified as fair value through profit or loss ("FVTPL").

Transaction costs on initial recognition of financial instruments classified as FVTPL are expensed as incurred. Transaction costs incurred on initial recognition of financial instruments classified as amortized cost are recognized at their fair value amount and offset against the related asset or liability. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire.

Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire. On derecognition, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability obtained) is recognized in profit or loss.

The company's financial assets which are subject to credit risk include cash, restricted cash, receivables, and reclamation deposits. Application of the expected credit loss model at the date of adoption did not have a significant impact on the Company's financial assets because the Company determined that the expected credit losses on its financial assets were nominal. There were no impairment losses recognized on financial assets during the years ended March 31, 2020 and 2019.

Impairment of Long-lived Assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Restoration, Rehabilitation and Environmental Obligations

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset.

The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. For the years presented, the Company has no known restoration, rehabilitation or environmental obligations.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity.

Transaction costs directly attributable to the issuance of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

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

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

Valuation of Equity Units Issued in Private Placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement is determined to be the more easily measurable component and are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings (Loss) per Share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares, calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted EPS assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Diluted EPS does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-based Payments

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that have vested.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payment expense originally recorded as reserves are transferred to share capital. When an option is cancelled/forfeited or expired, the originally recorded value is transferred and charged to deficit.

Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the President of the Company.

Significant Accounting Estimates and Critical Judgements

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

Significant Accounting Estimates

Significant accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Estimated useful lives of equipment

The estimated useful lives of equipment, which is included in the statements of financial position, will impact the amount and timing of the related amortization included in profit or loss.

Share-based compensation

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and option life, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Accrual of refundable tax credits

The provincial government of British Columbia, Canada provides for a refundable tax on net qualified mining exploration expenditures incurred in British Columbia. The credit is calculated as a percentage of qualified mining exploration expenses. Management has estimated and accrued the likely refundable amount arising from expenditures incurred.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and some assets are likely to become impaired in future periods.

New Accounting Policy And Accounting Standards Adopted During the Year

Leases

On April 1, 2019, the Company adopted IFRS 16 Leases which replaces IAS 17 Leases and related interpretations. The new standard eliminates the previous classification of leases as either operating leases or finance leases and introduces a single lessee accounting model which requires lessee to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. At the commencement date of a lease, the Company recognizes a lease liability and an asset representing the right to use the underlying asset during the lease term (i.e. the "right-of-use" asset). The Company recognizes interest expense on the lease liability and amortization expense on the right-of-use asset.

The Company adopted IFRS 16 using the modified retrospective approach and recognized the right-of-use assets at the amount equal to the lease liabilities. As a result, there was no impact to accumulated deficit upon adoption. In addition, the Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within twelve months as of the date of adoption and lease contracts for which the underlying asset is of low value.

As at April 1, 2019, the Company recognized \$44,596 in right-of-use assets and lease liabilities as follows:

Lease commitments as at March 31, 2019	\$	49,284
Effect of discounting		(4,688)
<hr/>		
Lease liability recognized as at April 1, 2019	\$	44,596

Right-of-use assets consists of an office lease.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

3. RECEIVABLES

The Company's receivables arise from goods and services tax and mineral exploration tax credits from government taxation authorities.

As at March 31, 2020 and March 31, 2019, the current receivables consist of the following:

	March 31, 2020	March 31, 2019
Goods and services tax receivable	\$ 10,057	\$ 10,789
Mineral exploration tax credits	119,799	102,640
	\$ 129,856	\$ 113,429

During the year ended March 31, 2020, the Company received \$100,462 (2019 - \$52,085) related to the mineral exploration tax credit including interest, and \$52,546 (2019 - \$70,052) from goods and services tax refunds.

4. MARKETABLE SECURITIES

As at March 31, 2020 and March 31, 2019, the Company had the following investments:

	March 31, 2020	March 31, 2019
Fair value through profit or loss		
Cost	\$ 177,200	\$ 135,450
Accumulated unrealized gain (loss)	57,922	(43,756)
Fair value	\$ 235,122	\$ 91,694

Included in marketable securities is 460,000 common shares of Nova Royalty Corp ("Nova"), with a fair value of \$230,000 or \$0.50 per share. Nova is a private entity and the Company has assessed a fair value of the investment in Nova based on Nova's public disclosures in which the most recent closed financing was priced.

5. RESTRICTED CASH

At March 31, 2020, the Company classified \$23,000 (March 31, 2019 - \$23,000) as restricted cash. This amount is comprised of a GIC held as a deposit for its corporate credit cards.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

6. PROPERTY AND EQUIPMENT

During the year ended March 31, 2020, amortization of \$79,538 (2019 - \$49,215) has been included in exploration expenditures (Note 9).

	Computer equipment and software	Field equipment	Vehicles and related equipment	Right-of-use assets	Total
Cost					
As at March 31, 2018	\$ 16,862	\$ 132,918	\$ 26,959	\$ -	\$ 176,739
Additions	3,609	210,049	4,120	-	217,778
As at March 31, 2019	20,471	342,967	31,079	-	394,517
Additions	-	33,537	-	44,596	78,133
As at March 31, 2020	20,471	376,504	31,079	44,596	472,650
Accumulated amortization					
As at March 31, 2018	10,181	-	-	-	10,181
Additions	2,277	51,235	5,976	-	59,488
As at March 31, 2019	12,458	51,235	5,976	-	69,669
Additions	2,337	73,323	6,216	16,216	98,092
As at March 31, 2020	\$ 14,795	\$ 124,558	\$ 12,192	\$ 16,216	\$ 167,761
Net book value					
As at March 31, 2019	\$ 8,013	\$ 291,732	\$ 25,103	\$ -	\$ 324,848
As at March 31, 2020	\$ 5,676	\$ 251,946	\$ 18,887	\$ 28,380	\$ 304,889

Right-of-use assets consists of leased office space (Note 11) and is amortized on a straight-line basis over the term of the related lease.

7. RECLAMATION DEPOSITS

Reclamation deposits are held as security towards future exploration work and the related future potential cost of reclamation of the Company's land and unproven mineral interests. Once reclamation of the properties is complete, the deposits will be returned to the Company. As at March 31, 2020, \$67,405 (March 31, 2019 - \$53,500) is being held as security on the Company's mineral titles.

As at March 31, 2020, the Company has no material reclamation obligations.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

8. EXPLORATION AND EVALUATION ASSETS

Properties	March 31, 2020	Impairment of exploration and evaluation assets	Sale of royalty interests	Mineral titles and option payments	March 31, 2019
Bull's Eye	\$ 1,438	\$ -	\$ -	\$ -	\$ 1,438
Bulkley	-	(4,192)	-	-	4,192
Moffat	7,157	-	-	-	7,157
Plateau	-	(3,465)	-	-	3,465
Paragon	21,821	-	-	-	21,821
Sat	-	(6,366)	-	-	6,366
Hogem	-	(1,635)	-	-	1,635
Tak	-	(1,914)	-	-	1,914
Kitimat	8,339	-	-	-	8,339
Pinnacle Reef	-	-	(12,416)	2,993	9,423
Red	2,300	-	-	-	2,300
Worldstock	13,750	-	-	13,750	-
Topley Richfield	-	(17,500)	-	17,500	-
Weedon	4,624	-	-	4,624	-
	\$ 59,429	\$ (35,072)	\$ (12,416)	\$ 38,867	\$ 68,050

Properties	March 31, 2019	Impairment of exploration and evaluation assets	Option payments received	Sale of royalty interests	Mineral titles and Option payments	March 31, 2018
Bull's Eye	\$ 1,438	\$ -	\$ -	\$ -	\$ 1,438	\$ -
Bulkley	4,192	-	-	-	4,192	-
Moffat	7,157	-	-	-	7,157	-
Paragon	21,821	-	-	-	21,821	-
NWT	-	-	-	(8,776)	8,776	-
Sat	6,366	-	-	-	6,366	-
Plateau	3,465	-	-	-	3,465	-
Wildcat	-	(33,560)	-	-	32,000	1,560
Hogem	1,635	-	-	-	-	1,635
Tak	1,914	-	-	-	-	1,914
Red	2,300	-	-	-	-	2,300
Nub East	-	-	-	(2,492)	-	2,492
Stars	-	-	(5,000)	-	-	5,000
Copper King	-	-	-	(6,473)	-	6,473
Kitimat	8,339	-	-	-	-	8,339
Pinnacle Reef	9,423	-	(22,000)	-	-	31,423
	\$ 68,050	\$ (33,560)	\$ (27,000)	\$ (17,741)	\$ 85,215	\$ 61,136

BULL'S EYE, BULKLEY, AND KITIMAT

During the year ended March 31, 2019, the Company acquired a 100% interest by staking the Bull's Eye and Bulkley, claims in the Skeena Mining Division of British Columbia. Also in the Skeena Mining Division the Company holds an undivided interest in Kitimat claims acquired by staking in a previous period.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

8. EXPLORATION AND EVALUATION ASSETS (Continued)

In January 2020, the Company allowed mineral claims making up the Bulkley Property to lapse and all costs related to the Bulkley claims were written-off during the year ended March 31, 2020.

MOFFAT AND PLATEAU

During the year ended March 31, 2019, the Company acquired a 100% interest by staking the Moffat and Plateau claims in the Cariboo Mining Division of British Columbia.

In August 2019, the Company allowed mineral claims making up the Plateau Property to lapse and all costs related to the Plateau claims were written-off during the year ended March 31, 2020.

PARAGON (NILKITKWA OPTION)

The Company entered into an option agreement dated December 17, 2018 with three private title holders (the "Nilkitkwa Optionor") to acquire a 100% interest in the Nilkitkwa property. To earn its 100% interest, the Company must make aggregate cash payments totaling \$65,000 and issue 500,000 common shares to the Nilkitkwa Optionor on or before the fourth anniversary of the TSX Approval date (December 27, 2018).

The Company combined the Nilkitkwa and previously staked contiguous claims to comprise the Paragon project.

In December of 2019, the Company terminated the option agreement with the three private title holders to acquire the Nilkitkwa claims. The Company continues to hold the remaining Paragon claims in good standing and does not consider these claims impaired.

SAT

The Company entered into an option agreement dated December 13, 2018 with two private title holders (the "Sat Optionor") to acquire a 100% interest in the Sat property. To earn its 100% interest, the Company must make aggregate cash payments totaling \$65,000 (\$5,000 paid) and issue 500,000 common shares to the Sat Optionor on or before the fourth anniversary of the TSX approval date (December 27, 2018). Upon exercise of the option, the Company shall grant the Sat Optionor a 1% net smelter returns royalty ("NSR") royalty which the Company may purchase one half (0.5%) of the NSR royalty at any time from the vendors for \$500,000.

In December of 2019, the Company terminated an option agreement with the two private title holders to acquire a 100% interest in the Sat property and relinquished the respective mineral claims. All costs related to the SAT claims were written-off during the year ended March 31, 2020.

HOGEM

During the year ended March 31, 2016, the Company entered into a joint venture agreement dated April 24, 2015 with Divitiae Resources Ltd. ("Divitiae"). Both parties hold certain adjacent claims and agreed to combine them into a single property (the "Hogem Property") and form an unincorporated joint venture for the purpose of exploring and developing the Hogem Property. The participating interests of both parties at the time of formation of the joint venture was 50% with each party responsible for payment of its proportionate share of operating and capital costs, including reclamation and remediation obligations.

In November 2019, the Company allowed mineral claims making up the Hogem Property to lapse and all costs related to the Hogem claims were written-off during the year ended March 31, 2020. The agreement with Divitiae was allowed to lapse.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

8. EXPLORATION AND EVALUATION ASSETS (Continued)

COPPER KING, NUB EAST, TAK

Acquired by staking, the Company holds or held an undivided interest in each of the Copper King, Nub East, and Tak claims in the Omineca Mining Division of British Columbia.

The Tak claims were allowed to lapse in October 2019 and all costs related to the Tak claims were written-off during the year ended March 31, 2020.

Nova Royalty Corp. (Formerly BatteryOne Royalty Corp.)

In March 2019 the Company entered into a royalty purchase agreement with Nova to grant a 1.0% NSR royalty on all metals and minerals produced under Copper King, NUB East and NWT projects (the "Projects"), in exchange the Company received 345,000 common shares of Nova valued at \$86,250 or \$0.25 per share, and a cash payment of \$10,000 of which \$17,741 was recorded as a reduction of exploration and evaluation assets and \$78,509 was recorded as option income and sale of royalty interests.

The Company also agreed to grant to Nova a right to acquire a 1.0% NSR royalty in the future, on all metals and minerals produced from the Company's Pinnacle Reef project in the event the existing option agreement on Pinnacle Reef is terminated or expires.

PINNACLE REEF

On March 4, 2019 the Company entered into a royalty purchase agreement pursuant to which Nova was granted a right to acquire a one percent net smelter returns ("NSR") royalty on the production from the Pinnacle Reef Property upon the expiry or termination of an option agreement dated July 12, 2016 between the Company and M3 Metals Corp ("M3 Metals"). As a result of M3 Metals termination of the option agreement, Nova exercised its right to acquire the one percent NSR Pinnacle Reef Royalty. In exchange the Company received 115,000 common shares of Nova valued at \$28,750 or \$0.25 per share of which \$12,416 was recorded as a reduction of exploration and evaluation assets and \$16,334 was recorded as option income and sale of royalty interests. The Company has also agreed to grant Nova a right of first refusal on any future royalty or streaming transactions on the Projects.

RED

The Company acquired by staking a 100% interest in certain mineral tenures in the Clinton Mining Division of British Columbia comprising part of the Red Property.

The Company entered into a joint venture agreement dated July 5, 2016 with EnGold Mines Ltd. Both parties hold certain adjacent claims and agreed to combine them into a single property (the "Red Property") and form an unincorporated joint venture for the purpose of exploring and developing the Red Property. The participating interests of both parties at the time of formation of the joint venture was 50% with each party responsible for payment of its proportionate share of operating and capital costs, including reclamation and remediation obligations.

Upon formation of the joint venture, a Management Committee consisting of two representatives of each party and holding voting rights in accordance with each party's participating interest was established. The management committee shall make all decisions required to be made by the joint venture participants. The Management Committee shall be responsible for the exploration and development of the Red Property and for the negotiation of any option or sale of the Property.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

8. EXPLORATION AND EVALUATION ASSETS (Continued)

WORLDSTOCK

In May 2019, The Company entered into an option agreement with a private vendor to acquire a 100% interest in the Worldstock Property located in south-central British Columbia. To earn its 100% interest in the property, the Company paid \$10,000 cash and issued 50,000 common shares valued at \$3,750 or \$0.075 per share upon signing and is required to make annual staged option payments starting on the first anniversary of the effective date totaling \$75,000 cash and 550,000 common shares over a four-year period as follows:

- Making an initial cash payment of \$10,000 (paid) upon signing of the agreement and issuing 50,000 common shares (issued) of the Company (Note 12);
- Making a cash payment of \$10,000 (paid subsequent to March 31, 2020), and issuing 50,000 common shares (issued subsequent to March 31, 2020) of the Company on or before May 28, 2020;
- Making a cash payment of \$15,000, and issuing 100,000 common shares of the Company on or before May 28, 2021;
- Making a cash payment of \$20,000, and issuing 100,000 common shares of the Company on or before May 28, 2022; and
- Making a cash payment of \$30,000, and issuing 300,000 common shares of the Company on or before May 28, 2023;

The fair value of the common shares issued on signing were valued at the observable market price on the day they were issued.

Upon exercise of the option, the Company shall grant the Worldstock Optionor a 2% NSR royalty which the Company may purchase one half (15) of the NSR Royalty from the vendors for \$1,000,000.

TOPLEY RICHFIELD

In May 2019, the Company entered into an option agreement with two private vendors to acquire a 100% interest in the Topley Richfield Property located in the Babine Copper-Gold Porphyry district in central British Columbia. The Topley Richfield Property is contiguous with the Company's Bulkley Property. To earn its 100% interest in the property, the Company paid \$10,000 cash and issued 100,000 common shares valued at \$7,500 or \$0.075 per share upon signing and is required to make annual staged option payments starting on the first anniversary of the effective date totaling \$180,000 cash and 900,000 common shares over a four-year period as follows:

- Making an initial cash payment of \$10,000 (paid) upon signing of the agreement and issuing 100,000 common shares (issued) of the Company;
- Making a cash payment of \$30,000, and issuing 200,000 common shares of the Company on or before May 27, 2020;
- Making a cash payment of \$50,000, and issuing 200,000 common shares of the Company on or before May 27, 2021;
- Making a cash payment of \$50,000, and issuing 200,000 common shares of the Company on or before May 27, 2022; and
- Making a cash payment of \$50,000, and issuing 300,000 common shares of the Company on or before May 27, 2023

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

8. EXPLORATION AND EVALUATION ASSETS (Continued)

The fair value of the common shares issued on signing were valued at the observable market price on the day they were issued.

Upon exercise of the option, the Company shall grant the Topley Richfield Optionor a 3% NSR royalty which the Company may purchase each one third (1%) of the NSR royalty from the vendors for \$1,000,000.

Upon exercise of the option, the Company will be required to make annual advanced royalty payments of \$10,000 starting May 27, 2024.

Subsequent to the year ended March 31, 2020, the Company relinquished the option agreement pertaining to the Topley Richfield Property. Preliminary investigation and exploration concluded that the property did not warrant further exploration expenditures. All costs related to the Topley Richfield property were written-off as at March 31, 2020.

WEEDON

Acquired by staking during the year ended March 31, 2020, the Company holds a 100% interest in certain mineral claims comprising part of the Weedon Property in the Omineca Mining Division of British Columbia.

STARS

During the year ended March 31, 2017, the Company purchased a 50% interest in certain tenures forming the Stars Project for \$15,000. The other 50% is held by Divitiae Resources Ltd. ("Divitiae").

On November 20, 2017 the Company signed an option agreement with M3 Metals for the Stars Project. M3 Metals can earn up to a 30% interest in the 50% interest held by the Company. As consideration for the option, M3 Metals will make aggregate cash payments in the amount of \$80,000 and issue a total of 60,000 common shares to the Company over a two-year period and will incur a minimum of \$4,500,000 in exploration expenditures on the Project over a three-year period as follows:

- Making an initial cash payment of \$10,000 (received) upon signing of the agreement and issuing to the Company 10,000 (received) common shares of M3 Metals within 10 days of receiving TSX-V approval (June 5, 2018) valued at \$9,000, of which \$4,000 was included in option income;
- Making a cash payment of \$20,000 (received), incurring \$500,000 in expenditures (completed), and issuing to the Company 20,000 common shares (valued at \$13,000) by June 5, 2019 (received);
- Making a cash payment of \$50,000 (received subsequent to March 31, 2020), incurring \$1,000,000 in expenditures (\$1,500,000 cumulative), and issuing to the Company 30,000 common shares by June 5, 2020 (received subsequent to March 31, 2020); and
- Incurring \$3,000,000 in expenditures (\$4,500,000 cumulative) by June 5, 2021.

The Company will have a carried interest in the Stars project until completion of a Pre-Feasibility Study, after which point a joint venture will commence.

During the year ended March 31, 2020, M3 Metals made a \$20,000 cash payment and issued to the Company 20,000 common shares valued at \$13,000 or \$0.65 per share as required by June 5, 2019 to keep the agreement in good standing. The shares were valued using the observable market price on the day of issuance. As a result of the receipt of cash and shares of M3 Metals, \$33,000 has been recorded in option income and sale of royalty interests.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

9. EXPLORATION EXPENDITURES

During the year ended March 31, 2020, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Bulkley	Paragon	SAT	Pinnacle	Other*	Total
Administration Cost	\$ 587	\$ 3,621	\$ 190	\$ 145	\$ 6,242	\$ 10,785
Amortization	10,850	11,480	11,649	22,527	23,032	79,538
Geophysics	-	-	-	-	10,196	10,196
Drilling and related field costs	23,190	16,218	40,588	87,025	22,216	189,237
Personnel	21,781	15,438	28,557	112,213	77,202	255,191
Travel	7,992	3,783	18,023	58,597	21,688	110,083
Total Expenditures	64,400	50,540	99,007	280,507	160,576	655,030
Exploration tax credits**	(12,575)	(7,071)	(23,179)	(64,112)	(9,671)	(116,608)
Total Recoveries	(12,575)	(7,071)	(23,179)	(64,112)	(9,671)	(116,608)
Net Expenditures	\$ 51,825	\$ 43,469	\$ 75,828	\$ 216,395	\$ 150,905	\$ 538,422

* Components of "Other" exploration expenditures for the year ended March 31, 2020 were Bull's Eye - \$400; Kitimat - \$400; Moffat - \$800; Nub East - \$15,917; NWT - \$16,721; Wildcat - \$2,376; Stars - \$1,800; Topley Richfield - \$2,999; Weedon - \$2,400; Worldstock - \$35,149, Jean Marie - \$5,874 and Target Generation - \$75,740.

During the year ended March 31, 2019, the Company incurred the following exploration expenditures, which were expensed as incurred:

	Kitimat	Copper King	Moffat	Wildcat	Other*	Total
Administration Cost	\$ 462	\$ 83	\$ -	\$ 890	\$ 8,758	\$ 10,193
Amortization	12,384	9,418	5,083	11,541	10,789	49,215
Geophysics	5,872	5,873	9,100	-	341	21,186
Drilling and related field costs	29,075	36,437	9,311	31,627	31,600	138,050
Personnel	43,756	27,416	22,400	53,051	55,720	202,343
Travel	17,881	7,286	8,445	8,830	13,909	56,351
Total Expenditures	109,430	86,513	54,339	105,939	121,117	477,338
Exploration tax credits**	(19,686)	(24,576)	(13,501)	(41,330)	(16,282)	(115,375)
Total Recoveries	(19,686)	(24,576)	(13,501)	(41,330)	(16,282)	(115,375)
Net Expenditures	\$ 89,744	\$ 61,937	\$ 40,838	\$ 64,609	\$ 104,835	\$ 361,963

* Components of "Other" exploration expenditures for the year ended March 31, 2019 were Bulkley - \$7,729; Bull's Eye - \$2,313; Nub East - \$1,486; Pinnacle Reef - \$901; Red property - \$45,604; Stars - \$1,607; Paragon - \$6,995; Sat - \$7,494; NWT - \$207; and Target Generation - \$46,781.

** All of the Company's exploration activities are located in British Columbia, Canada. As such, the Company is eligible for the Mining Exploration Tax Credits on qualifying expenditures. The credit is 20% of the qualifying expenditures, and an enhanced 30% credit is available for expenditures incurred in Mountain Pine Beetle affected areas. Except for the Kitimat property, all the Company's projects are in areas qualifying for the 30% enhanced credit.

The Company has accrued a credit at the 30% qualifying rate on expected qualifying expenditures except for Kitimat which is accrued at 20%. Actual credits and refunds are subject to review and potential adjustment by tax authorities

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into certain transactions with key management personnel, which the Company has defined as Officers and Directors of the Company. The aggregate value of these transactions and outstanding balances are as follows:

	Year ended March 31, 2020	Year ended March 31, 2019
Exploration expenditures		
President*	\$ 6,000	\$ 2,400
Vice President, Exploration*	77,600	84,600
Management and consulting fees		
President*	97,200	109,200
Vice President, Exploration*	28,400	25,000
Seabord Services Corp.**	112,500	120,000
Share - based compensation		
Management and directors	23,058	12,848
Seabord Services Corp.**	3,418	2,569
	\$ 348,176	\$ 356,617

Amounts due to related parties as of March 31, 2020 and March 31, 2019 are as follows:

Related party liabilities	Items or services	March 31, 2020	March 31, 2019
President	Management fees and reimbursable expenses	\$ 20,160	\$ 9,650
Vice President, Exploration	Management fees and reimbursable expenses	22,365	-
Seabord Services Corp.**	Management fees and reimbursable expenses	23,625	-
		\$ 66,150	\$ 9,650

*BJP Consulting and Rory Ritchie Geological Consulting are controlled by Brad Peters, President and Chief Executive Officer, and Rory Ritchie, Vice-President, Exploration respectively.

** Seabord Services Corp. ("Seabord") provides the following services: A Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administration staff, and office space to the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

Amounts owed to related parties were accrued fees in which payment was deferred as at March 31, 2020 and paid subsequently.

There were no changes to the Company's Board of Directors or management during the year ended March 31, 2020.

11. LEASE LIABILITY

The Company's right-of use assets consists of office space and are included in property and equipment (Note 6).

Lease liabilities recognized as at April 1, 2019	\$ 44,596
Lease payments made	(17,055)
Interest expense on lease liabilities	2,681
	30,222
Less: current portion	(16,479)
As at March 31, 2020	\$ 13,743

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

11. LEASE LIABILITY (Continued)

In April 2018, the Company renewed a lease agreement with LRG Investments Ltd. for office space in Vancouver, Canada. The original lease commenced on January 1, 2013 for six years. The renewed lease has a three - year term and commenced in January 1, 2019. As at March 31, 2020, expected remaining annual commitments are \$18,081 (2020) and \$14,148 (2021).

12. EQUITY

Authorized

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

Share Capital

No preferred shares have been issued from incorporation to March 31, 2020. As at March 31, 2020, 2,125,500 (2019 – 4,251,000) common shares of the Company were held in escrow and to be released subject to escrow terms.

During the year ended March 31, 2020:

The Company completed a non-brokered private placement for aggregate proceeds of \$846,100 including the issuance of 10,672,857 Units of the Company at a price of \$0.07 per Unit with each Unit comprised of one common share and one common share purchase warrant for gross proceeds of \$747,100, and 1,100,000 flow-through common shares at a price of \$0.09 per flow-through common share for gross proceeds of \$99,000. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.14 per share for a period of 36 months until May 22, 2022. Pursuant to the Company's accounting policy, the gross proceeds of the private placement were allocated using a residual value method with respect to the measurement of shares and warrants issued as private placement Units.

A flow-through liability of \$16,500 was recognized in connection with the flow-through offering equal to the premium paid for the flow-through shares. This liability has been reversed and recognized as a recovery of the flow-through premium liability when qualified exploration expenditures were incurred during the year ended March 31, 2020.

In consideration for arranging the private placement, the Company paid finder's fees of \$22,937 cash and issued 339,900 finder's warrants valued at \$15,319. Each finder's warrant entitles the holder to purchase one common share in the capital of the Company at an exercise price of \$0.14 per share until May 22, 2022. The fair value of the finder's warrants issued as part of the private placement were estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.65%, dividend yield of 0%, volatility of 118% and an expected life of 3 years. The Company paid an additional \$6,651 in legal and regulatory costs related to the private placement.

The Company issued 150,000 common shares valued at \$0.075 per share or \$11,250 related to the Topley Richfield and Worldstock acquisition agreements (Note 8). The common shares were valued using the observable market price on the issuance date.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

12. EQUITY (Continued)

During the year ended March 31, 2019:

The Company completed a non-brokered private placement of 1,000,000 units of the Company at a price of \$0.20 per unit with each unit comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.30 per share for a period of 36 months until April 24, 2021. Pursuant to the Company's accounting policy, the gross proceeds of the private placement were allocated using a residual value method with respect to the measurement of shares and warrants issued as private placement units.

This resulted in \$170,000 recorded as share capital and \$30,000 being allocated to reserves.

In consideration for arranging the private placement, the Company paid finder's fees of \$12,000 cash and issued 60,000 finder's warrants valued at \$5,222. Each finder's warrant entitles the holder to purchase one common share in the capital of the Company at an exercise price of \$0.30 per share until April 24, 2021. The fair value of the finder's warrants issued as part of the private placement were estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 2.02%, dividend yield of 0%, volatility of 100% and an expected life of 3 years. The Company paid an additional \$2,493 in legal and regulatory costs related to the private placement.

Pursuant to an option agreement entered into in February 2017 with a private title holder to acquire a 100% interest in the Wildcat property, the Company issued 200,000 common shares valued at \$32,000 or \$0.16 per share. The common shares were valued using the available market price on the issuance day.

Stock Option Plan

As at March 31, 2020, the Company had a stock option plan that allows the Board of Directors to grant incentive stock options to the Company's officers, directors, related company employees and consultants to purchase up to that number of common shares equal to 10% of its outstanding shares for a term of up to ten years. The exercise price of each option is to be not less than the fair market value of the Company's stock as determined by the Plan administrator. The vesting terms are determined at the time of the option grant.

During the year ended March 31, 2020, the Company granted 1,500,000 incentive stock options to various directors, officers, employees and consultants of the Company pursuant to the Company's stock option plan. These options are exercisable at \$0.08 per share for a period of three years expiring on September 23, 2022.

During the year ended March 31, 2019, the Company granted 225,000 incentive stock options to consultants of the Company pursuant to the Company's stock option plan. These options are exercisable at \$0.20 per share for a period of 3 years expiring on July 24, 2021.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

12. EQUITY (Continued)

During the years ended March 31, 2020 and 2019 respectively, the change in stock options outstanding is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2018	1,655,000	\$ 0.20
Granted	225,000	0.20
Expired	(10,000)	(0.20)
Balance, March 31, 2019	1,870,000	0.20
Granted	1,500,000	0.08
Balance, March 31, 2020	3,370,000	0.14
Number of options exercisable as at March 31, 2020	2,595,000	\$ 0.16

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

Date Granted	Number of Options	Exercisable	Exercise Price	Expiry Date
May 27, 2015*	65,000	65,000	\$ 0.15	May 27, 2020
May 27, 2015*	240,000	240,000	0.20	May 27, 2020
June 7, 2016**	100,000	75,000	0.15	June 7, 2021
June 23, 2017	1,090,000	1,090,000	0.20	June 23, 2022
July 4, 2017	150,000	150,000	0.20	July 4, 2022
July 24, 2018	225,000	225,000	0.20	July 24, 2021
September 23, 2019***	1,500,000	750,000	0.08	Sept 23, 2022
	3,370,000	2,595,000		

* expired unexercised subsequent to the year ended March 31, 2020.

** stock options vest 25% every year beginning one year after the date of grant.

*** stock options vest 25% every quarter starting 3 months from date of grant.

The weighted average remaining life of the stock options exercisable is 2.02 years (March 31, 2019 – 2.73 years).

Share-based Payments

During the year ended March 31, 2020, the Company recorded share-based payment expense of \$44,834 (2019 - \$31,228), which represents the fair value of options vested during the period with the offsetting amount credited to reserves. The weighted average fair value of the stock options granted during the year ended March 31, 2020 was \$0.03 per stock option (2019 - \$0.06 per stock option). The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows: risk-free interest rate of 1.50% (2019 – 2.13%), dividend yield of 0% (2019 – 0%), volatility of 157% (2019 - 100%), forfeiture rate of 0% (2019 – 0%), and an expected life of 3 years (2019 – 3 years).

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

12. EQUITY (Continued)

Warrants

During the years ended March 31, 2020 and 2019 respectively, the change in warrants outstanding is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2018	10,000,000	\$ 0.30
Granted	1,060,000	0.30
Balance, March 31, 2019	11,060,000	0.30
Granted	11,012,757	0.14
Balance, March 31, 2020	22,072,757	\$ 0.22

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

Date Granted	Number of Warrants	Exercise Price	Expiry Date
March 20, 2018 - IPO Warrants	10,000,000	\$ 0.30	March 20, 2021
April 24, 2018 Private Placement	1,000,000	0.30	April 24, 2021
April 24, 2018 Finders' Warrants	60,000	0.30	April 24, 2021
May 22, 2019 Private Placement	10,672,857	0.14	May 22, 2022
May 22, 2019 Finders' Warrants	339,900	0.14	May 22, 2022

Brokers Options

As part of the IPO closed during the year ended March 31, 2018, the Company granted Haywood 700,000 broker's options. The Broker's options are exercisable into a unit with an exercise price of \$0.20, consisting of one common share and one common share purchase warrant. As at March 31, 2020, 700,000 brokers options remain outstanding and expire March 20, 2021.

13. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being the acquisition and exploration of mineral properties. As such, all of the Company's property and exploration and evaluation assets are located in Canada.

14. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk, interest rate risk, and market risk.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

14. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Although the Company operates only in Canada and all expenditures are incurred in Canadian dollars, U.S. dollars are sometimes held by the Company. As at March 31, 2020, the Company did not hold a significant balance of U.S. dollars. Therefore, a change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar would have an immaterial effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

Credit Risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no concentration of credit risk other than on cash deposits and receivables. The Company's cash deposits are primarily held with a Canadian chartered bank. Further, receivables comprise amounts due from the federal government. Therefore, credit risk is considered low.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Financial liabilities, at March 31, 2020, included \$89,410 of accounts payable and accrued liabilities, \$66,150 in amounts due to related parties and \$30,222 of lease liability. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Interest Rate Risk

When the Company has sufficient cash, it will invest in term deposits which can be reinvested without penalty after thirty days should interest rates rise. As at March 31, 2020, the Company did not have any interest-bearing loans. Accordingly, the Company does not have significant interest rate risk.

Market Risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the March 31, 2020 value of marketable securities a 10% increase or decrease in the share prices of these companies would have an immaterial impact on profit or loss for the year.

Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering into joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company prepares annual estimates of exploration and administrative expenditures and monitors actual expenditures compared to the estimates. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. There have been no changes in approach to managing capital during the year ended March 31, 2020. Management believes that the Company will have sufficient capital to fund its operations for the next twelve months. The Company is not subject to externally imposed capital requirements.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

15. FINANCIAL INSTRUMENTS BY CATEGORY

The Company classified its financial instruments as follows:

	March 31, 2020	March 31, 2019
Financial assets		
Amortized cost:		
Cash	\$ 14,286	\$ 204,491
Restricted cash	23,000	23,000
Reclamation deposits	67,405	53,500
Fair value through profit or loss:		
Marketable securities	235,122	91,694
	<u>\$ 339,813</u>	<u>\$ 372,685</u>
Financial liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	\$ 89,410	\$ 34,358
Lease liability - current	16,479	-
Lease liability - non-current	13,743	-
Due to related parties	66,150	9,650
	<u>\$ 185,782</u>	<u>\$ 44,008</u>

Fair Values

The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1: inputs represent quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: inputs other than quoted prices that are observable, either directly or indirectly. Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates, and volatility factors, which can be observed or corroborated in the marketplace.
- Level 3: inputs that are less observable, unavoidable or where the observable data does not support the majority of the instruments' fair value.

As at March 31, 2020, there were no changes in the levels in comparison to the year ended March 31, 2019.

Financial instruments which are measured using the fair value hierarchy include marketable securities which are categorized as Level 1 except as to \$230,000 in marketable securities for the investment in Nova.

The Company's investment in Nova does not have a quoted market price in an active market and the Company has assessed a fair value of the investment based on Nova's public disclosures in which the most recent closed financing was priced. As a result, the fair value is classified within Level 3 of the fair value hierarchy.

The fair value of the Company's lease liability is approximated by its carrying value as its imputed interest rates are comparable to current interest rates.

The carrying values of cash, restricted cash, receivables, reclamation deposits, accounts payable and accrued liabilities and due to related parties approximate their fair value because of the short-term nature of these instruments.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended March 31, 2020 and 2019

16. INCOME TAXES

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.00% (2019 – 27%) as follows:

	2020	2019
Loss for the year before income taxes	\$ (1,011,754)	\$ (1,031,259)
Expected income tax recovery	(273,000)	(278,000)
Change in statutory, foreign tax, foreign exchange rates and other	(11,000)	(17,000)
Permanent differences	(6,000)	12,000
Impact of flow through shares	27,000	-
Share issue cost	(8,000)	(4,000)
Changes in unrecognized deductible temporary difference	271,000	287,000
	\$ -	\$ -

Significant components of the Company's unrecognized deferred tax assets are as follows:

	2020	2019
Deferred tax assets:		
Exploration and evaluation assets	\$ 411,000	\$ 296,000
Property and equipment	35,000	21,000
Share issue costs and other	60,000	80,000
Marketable securities	(8,000)	6,000
Non-capital losses available for future periods	609,000	433,000
	1,107,000	836,000
Unrecognized deferred tax assets	(1,107,000)	(836,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences are as follows:

	Expiry date	2020	2019
Temporary differences:			
Exploration and evaluation assets	no expiry	\$ 1,500,000	\$ 1,075,000
Investment tax credit	2032-2033	7,000	7,000
Property and equipment	no expiry	130,000	77,000
Share issue costs and other	2040 to 2043	221,000	296,000
Marketable securities	no expiry	(58,000)	44,000
Non - capital losses available for future periods	2032 to 2040	2,257,000	1,062,000

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions during the year ended March 31, 2020 included:

- Recorded the issuance of 150,000 common shares valued at \$11,250 pursuant to the Topley Richfield and Worldstock property agreements (Note 8);
- Reduced mineral properties by \$12,416 related to 115,000 common shares of Nova Royalty received pursuant to a royalty purchase agreement (Note 8);
- The recording of \$15,319 in share capital and reserves related to the fair value of finders' warrants (Note 12); and
- The recognition of \$44,596 of right-of-use assets and lease liabilities related to the adoption of IFRS 16.

PACIFIC EMPIRE MINERALS CORP.

(An Exploration Stage Company)
Notes to the Financial Statements
(Expressed in Canadian Dollars)
For the Years Ended March 31, 2020 and 2019

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

Significant non-cash investing and financing transactions during the year ended March 31, 2019 included:

- Reduced mineral properties by \$5,000, and recorded option revenue of \$4,000 related to 100,000 common shares of M3 Metals received pursuant to the Stars property agreement (Note 8);
- Reduced mineral properties by \$22,000 related to 200,000 common shares of M3 Metals received pursuant to the Pinnacle Reef property agreement (Note 8);
- Reduced mineral properties by \$17,741 related to 345,000 common shares of Nova Royalty received pursuant to a royalty purchase agreement (Note 8);
- Recorded the issuance of 200,000 common shares valued at \$32,000 pursuant to the Wildcat property agreement (Note 8);
- Reclass of \$743 in share issue costs included in accounts payable and accrued liabilities; and
- The recording of \$5,222 in share capital and reserves related to the fair value of finders warrants (Note 10).

18. EVENTS AFTER THE REPORTING DATE

Subsequent to the year ended March 31, 2020:

- a) On May 21, 2020, the Company completed a private placement raising an aggregate of \$275,000, raised through the issuance of 5,500,000 units. Each unit was issued at a price per unit of \$0.05 and is comprised of one common share of the Company and one common share purchase warrant entitling the holder to acquire one common share for a period of 36 months at an exercise price of \$0.10.

In consideration for arranging the private placement, the Company paid \$3,000 in cash commissions and the issuance of 60,000 finder's warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per share until May 21, 2023.

- b) On May 25, 2020, the Company entered into an option agreement to acquire a 100% interest in the Jean Marie Project in central British Columbia from three private vendors. To earn its 100% interest, the Company is required to pay \$675,000 in cash (\$15,000 paid on signing), issue 1,500,000 (100,000 issued on signing of the agreement) and spend a total of \$2,700,000 in work commitments within 6 years of the effective date.

The vendors of the property will be granted a 2.5% net smelter royalty, one half (1.25%) of which can be purchased at any time for \$1,500,000. A further 0.25% of the NSR Royalty can be purchased at any time for \$1,000,000, thereby reducing the NSR Royalty to 1.0%.

- c) On July 24, 2020, the Company completed a non-brokered private placement for aggregate proceeds of \$1,095,558 including the issuance of 16,000,000 units of the Company at a price of \$0.05 per unit with each unit comprised of one common share and one-half of one common share purchase warrant for gross proceeds of \$800,000, and 4,222,258 flow-through common shares at a price of \$0.07 per flow-through common share for gross proceeds of \$295,558. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per share for a period of 24 months from the issuance closing.

In consideration for arranging the private placement, the Company paid \$32,976 in cash commissions and the issuance of 617,490 finder's warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 per share until July 24, 2022.