
VANADIUM ONE IRON CORP.
(formerly Vanadium One Energy Corp.)

FINANCIAL STATEMENTS

FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Vanadium One Iron Corp.:

Opinion

We have audited the financial statements of Vanadium One Iron Corp. and its subsidiary (the "Company"), which comprise the statements of financial position as at February 29, 2020 and February 28, 2019, and the statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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 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 financial statements, which indicates that for the year ended February 29, 2020 the Company incurred losses of \$989,819 and had an accumulated deficit of \$9,160,419 at year end. 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 financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained 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 in this auditor's report. 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 IFRSs, 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

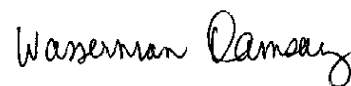
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 auditors' report is Kevin Ramsay.



Markham, Ontario
June 23, 2020

Chartered Professional Accountants
Licensed Public Accountants

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at,	February 29, 2020 \$	February 28, 2019 \$
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents (note 7)	140,159	47,809
Restricted cash (note 7)	116,287	132,658
Receivables and other (note 8)	34,284	144,675
	<u>290,730</u>	<u>325,142</u>
Automobile, Net (note 9)	8,050	14,490
Exploration and evaluation assets (note 10)	3,123,504	2,864,867
	<u>3,422,284</u>	<u>3,204,499</u>
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (note 11)	279,641	259,985
Flow-through share premium (note 12)	48,453	31,838
	<u>328,094</u>	<u>291,823</u>
SHAREHOLDERS' EQUITY		
Capital stock, issued and outstanding (note 12)	9,852,092	9,037,854
Reserves	2,402,517	2,051,096
Accumulated other comprehensive loss	-	(5,674)
Accumulated deficit	(9,160,419)	(8,170,600)
	<u>3,094,190</u>	<u>2,912,676</u>
	<u>3,422,284</u>	<u>3,204,499</u>

Going Concern (Note 2), commitments and contingencies (Note 18) and subsequent events (Note 20)

Approved on behalf of the Board on June 23, 2020:

/s/ Cliff Hale-Sanders

President and CEO

/s/ Alonso Sotomayor

Chief Financial Officer

Accompanying notes form an integral part of these financial statements

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

For the year ended,	February 28, 2020	February 28, 2019
	\$	\$
General and administrative expenses	251,832	296,717
Professional and consulting fees	125,254	150,497
Management fees (note 13)	293,421	241,000
Write-down on mineral property (note 10)	169,868	-
Foreign exchange loss	5,674	-
Depreciation	6,440	4,830
Share-based payments	215,715	107,840
	<u>1,068,204</u>	<u>800,884</u>
Deferred income tax recovery	(78,385)	(229,162)
Loss and comprehensive loss for the period	<u>(989,819)</u>	<u>(571,722)</u>
Basic and diluted loss per share	<u>(0.018)</u>	<u>(0.014)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>55,280,181</u>	<u>40 181 763</u>

Accompanying notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the year ended,	February 29, 2020	February 28, 2019
	\$	\$
Operating activities		
Net loss for the period	(989,819)	(571,722)
<i>Adjustments for items not involving cash:</i>		
Write down on mineral property	169,868	-
Foreign exchange loss	5,674	-
Depreciation	6,440	4,830
Share-based payments	215,715	107,840
	(592,122)	(459,052)
<i>Changes in non-cash working capital items:</i>		
Receivables and other	110,391	(30,257)
Accounts payable and accrued liabilities	67,213	153,356
Flow through share premium	16,615	31,838
Cash used in operating activities	(397,903)	(304,115)
Financing activities		
Issuance of common shares for cash (net)	949,944	1,107,958
Issuance of warrants for cash	-	354,577
Cash provided by financing activities	949,944	1,462,535
Investing activities		
Expenditures on exploration and evaluation assets	(476,062)	(1,419,827)
Acquisition of fixed assets	-	(19,320)
Cash used in investing activities	(476,062)	(1,439,147)
Increase (decrease) in cash	75,979	(280,727)
Cash and cash equivalents, beginning of the period	180,467	461,194
Cash, end of the period	256,446	180,467
Cash and cash equivalents	140,159	47,809
Restricted cash	116,287	132,658
Cash, end of the period	256,446	180,467

Accompanying notes form an integral part of these financial statements

STATEMENTS OF SHAREHOLDER'S EQUITY
(Expressed in Canadian dollars)

	SHARE CAPITAL		RESERVES	ACCUMULATED OTHER COMPREHENSIVE DEFICIT	DEFICIT	TOTAL
	#	\$	\$	\$	\$	\$
Balance - February 28, 2018	34 475 576	7 950 347	1 574 227	(5,674)	(7,598,878)	1,920,022
Private placement	9,714 784	355,458	324,577	-	-	680,035
Flow-through share premium	-	(261,000)	-	-	-	(261,000)
Private placement	3,900,000	390,000	-	-	-	390,000
Private placement	2,400,000	600,000	-	-	-	600,000
Share issue costs	-	(104,405)	30,000	-	-	(74,405)
Brokers warrants Issued	-	-	29,558	-	-	29,558
Warrants exercised	525,682	62,906	(9,558)	-	-	53,348
Stock options issued	-	-	107,840	-	-	107,840
Stock options exercised	300,000	44,548	(5,548)	-	-	39,000
Loss for the period	-	-	-	-	(571,722)	(571,722)
Balance - February 28, 2019	51,316,042	9,037,854	2,051,096	(5,674)	(8,170,600)	2,912,676
Private placement	13,810,715	923,645	138,107	-	-	1,061,752
Share issue costs	-	(14,407)	(2,401)	-	-	(16,808)
Flow-through share premium	-	(95,000)	-	-	-	(95,000)
Stock options issued	-	-	215,715	-	-	215,715
Loss for the period	-	-	-	5,674	(989,819)	(984,145)
Balance - February 29, 2020	65,126,757	9,852,092	2,402,517	-	(9,160,419)	3,094,190

Accompanying notes form an integral part of these financial statements

1. General information and nature of operations

Vanadium One Iron Corp. (“**Vanadium One**” or the “**Company**”) was incorporated on February 27, 2007 pursuant to the *Business Corporations Act* (Ontario) and was classified as engaged in the exploration of its properties for base metals and precious metals in Canada. All mineral property interests held are currently in the exploration stage.

The Company listed its common shares on the TSX Venture Exchange for trading upon the completion of its initial public offering (“IPO”) as disclosed in a prospectus filed with the regulators and dated May 25, 2007. On June 4, 2019 the Company changed its name from Vanadium One Energy Corp. to Vanadium One Iron Corp. The Company’s shares are listed under the symbol VONE (formerly: VDR) on the TSX Venture Exchange.

These annual financial statements of the Company were authorized for issue in accordance with a resolution of the directors on June 23, 2020.

2. Going concern disclosure

The Company’s principal assets are mining claims and deferred exploration costs relating to properties which are not in commercial projects. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. In December 2019, a novel strain of the Coronavirus emerged in China. It has now spread to many other countries and infections have been reported globally. The extent to which the coronavirus impacts the Company’s business, including its operations, the market for its securities, and the ability to access financing will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Vanadium One is not currently generating any revenue from its operations and for the year ended February 29, 2020, the Company recorded a net comprehensive loss of \$989,819 (February 28, 2019 - \$571,722) and an accumulated deficit of \$9,160,419 (February 28, 2019 - \$8,170,600). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its exploration projects, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities. Even if the Company has been successful in the past in doing so, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Company. These matters represent a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

These annual financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and financial statement classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. Basis of preparation

Statement of Compliance

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and effective as of February 29, 2020. These financial statements have been prepared on a historical cost basis except for certain financial assets which are recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of Presentation

These financial statements have been prepared on a historical cost basis except for financial instruments recorded at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

The functional and presentation currency of Vanadium One Iron Corp. is the Canadian dollar.

In the preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year. Actual results could differ from these estimates.

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for IFRS 16 adopted in 2019.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash and cash equivalents with initial maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

(ii) Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

(iii) Foreign currency translation

The Canadian dollar is the functional and reporting currency of the Company. All monetary assets and liabilities are translated at the rate of exchange at the statement of financial position date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the statement of financial position date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in the statement of loss.

(iii) Exploration and evaluation assets

The Company capitalizes all costs related to investments in mineral property in which it holds a legal interest on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries, and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered. Exploration expenditure relates to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company has determined that all of its mineral property interests are currently exploration stage properties.

(iv) Income taxes and deferred taxes

The income tax expense or benefit for the period consists of two components, current and deferred. Income tax expense or benefit is recognized in the Statement of Comprehensive Loss except to the extent it relates to a business combination or items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. To the extent that the Company does not consider it to be probable that taxable profits will be available against which deductible temporary differences can be utilized, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(v) Warrants

The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to Contributed Surplus.

The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is transferred to Contributed Surplus.

(vi) Earnings Per Share

Earnings per share is calculated using the weighted average number of shares outstanding during the period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

(vii) Financial Instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

Financial assets at Fair-value through profit or loss

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVTPL are included in losses in the period in which they arise.

Financial assets at Fair-value through other comprehensive income

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument basis) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Company's accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables which are classified at amortized cost.

Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The Company's investment held for sale is classified as Level 1 and cash classified as Level 2. Both investment and cash are recorded at fair value on the statement of financial position. Other than that, none of the Company's financial instruments is recorded at fair value on the statement of financial position. The fair values of financial instruments approximate their carrying values due to their short term to maturity.

(viii) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(ix) Flow-through Shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities in Canada. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as a liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the deferred income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net income.

(x) Share-based Payments

Stock options issued by the Company are accounted for in accordance with the fair value-based method. The fair value of options issued to directors, officers, employees and consultants to the Company is charged to earnings over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to Contributed Surplus.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received, together with the amount previously recorded in contributed surplus are added to capital stock.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

When options are exercised, the amount received, together with the amount previously recorded in Contributed Surplus, are added to Capital Stock.

(xi) Impairment of non-financial assets (excluding inventories, investment properties and deferred taxes)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

(xii) Segment reporting

In accordance with IFRS 8, Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts.

(xiii) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 5.

(xiv) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at February 29, 2020 and February 28, 2019.

(xv) Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for as soon as the obligation to incur such costs arises. Discount rates using a pre-

tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as at February 29, 2020 and February 28, 2019.

5. Summary of accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and judgments that, in management's opinion, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

(ii) Impairment of non-financial assets

Exploration and evaluation properties are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration property may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company measures, presents and discloses any resulting impairment loss in accordance with IFRS.

Impairment is assessed by management using key impairment indicators of IFRS 6 - *Exploration for and evaluation of mineral resources*, such assessment is subject to uncertainty.

(iii) Share-based payment transactions

The Company measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions 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 share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

(iv) Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(v) Restoration, rehabilitation and environmental obligations

Management's assumption of no material restoration, rehabilitation and environmental obligations is based on facts and circumstances that existed during the period. These facts and circumstances may be open to interpretation.

(vi) Carrying value of Exploration and Evaluation Properties

The carrying amount and recoverability of exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

(vii) COVID-19 estimation uncertainty

During the fourth quarter of 2020 and subsequent to February 29, 2020, the COVID-19 pandemic has had a material impact on the global economy, the scale and duration of which remain uncertain. To date, there has been significant volatility in commodity prices and foreign exchange rates, restrictions on the conduct of business in many jurisdictions, including travel restrictions, and supply chain disruptions. Depending on the duration and extent of the impact of COVID-19, this could materially impact the Company's results of operations, cash flows and financial position and could result in changes to estimates used to determine recoverable reserves, and estimates used to determine the recoverable amounts of long-lived assets. Changes related to these could be material.

6. Accounting pronouncements

Adoption of new and amended IFRS pronouncements

We have adopted the new and amended IFRS pronouncement listed below as at March 1, 2019, in accordance with the transitional provisions outlined in the respective standard. IFRS 16 – Leases ("IFRS 16"), was issued in January 2016 and requires lessees to recognize assets and liabilities for most leases. The adoption of IFRS 16 did not affect our financial results or disclosures as our analysis determined that no changes were required to our existing accounting treatment as the Company does not have any leases.

Future accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing after March 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after March 1, 2020. Earlier adoption is permitted.

7. Cash and cash equivalents

Cash and cash equivalents were as follows:

	February 29, 2020	February 28, 2019
	\$	\$
Cash Canadian banks	140,159	47,809
Restricted Cash Canadian banks - Flow-Through	116,287	132,658
	256,446	180,467

8. Receivables and other

Receivables and other at February 29, 2020 consists of sales tax receivable of \$28,171 (February 28, 2019 - \$125,214) and prepaid expenses of \$6,113 (February 28, 2019 - \$19,461).

9. Fixed assets

	Automobile
Cost	\$
Balance, February 28, 2018	-
Additions	19,320
Balance March 1, 2019	19,320
Additions	-
Balance February 29, 2020	19,320
Accumulated Depreciation	\$
Balance, February 28, 2018	-
Depreciation for the year	4,830
Balance March 1, 2019	4,830
Depreciation for the year	6,440
Balance February 29, 2020	11,270
Net book value, February 28, 2019	14,490
Net book value, February 29, 2020	8,050

10. Exploration and evaluation assets

The following is a summary of the Company's investment in exploration properties:

	Ivanhoe Ontario	Clinton B.C	Mont. Sorcier Quebec	Total
	\$	\$	\$	\$
Balance - March 1, 2018	1	143,476	1,301,562	1,445 039
Exploration costs	-	26,391	1,393,437	1,419 828
Balance - February 28, 2019	1	169,867	2,694,999	2,864 867
Exploration costs	-	-	428,505	428,505
Write-down of mineral property	(1)	(169,867)	-	(169,868)
Balance - February 29, 2020	-	-	3,123,504	3,123,504

(i) **Ivanhoe Lake Property, Ontario:** The mineral leases for the Ivanhoe Lake Property were not renewed in March 2019 and all mineral leases related to Ivanhoe Lake have been discarded. Ivanhoe was a greenfield exploration property with possible gold as the target. The Company is focused on Iron and Vanadium and determined that the Ivanhoe profile did not fit with management's vision of the Company.

(ii) **Clinton Manganese Property, British Columbia:** In July 2016, the Company agreed to acquire a 100% interest in the Clinton Manganese property ("Clinton Property") located near Clinton in British Columbia, Canada. The agreement called for a payment of \$20,000 and the issuance of 12,000,000 (pre-consolidation) common shares at \$0.0075. In addition, a finders fee of 1,400,000 (pre-consolidation) common shares at \$0.0075 were issued in relation of the acquisition. The Company is focused on Iron and Vanadium and determined that the Clinton profile did not fit with management's vision of the Company. The Company has written down the value of the Clinton Property to \$Nil.

(iii) **Mont Sorcier, Iron Ore and Vanadium Project, Quebec:** In October 2016, the Company agreed to acquire a 100% interest in the Mont Sorcier Iron Ore and Vanadium property ("Mont Sorcier") located near Chibougamau in Quebec, Canada. The Company paid \$150,000 in cash and issued 2,750,000 common shares at \$0.175. In order to earn its interest, the Company undertook a minimum of \$1 million in exploration expenditures on the property within in the first 24 months following signature of the agreement. The Vendor, Chibougamau Independent Mines, will retain a 2% Gross Metal Royalty ("GMR") on all mineral production from the property. In order to facilitate the deal, Globex Mining Enterprises Inc. (GMX-TSX), which held a 3% GMR on a number of claims, has reduced its royalty to 1% GMR but it has been extended to the recently enlarged claim group. In addition, a finder's fee of 300,000 post consolidation common shares of the Company at \$0.175 was issued in relation to the acquisition. During the previous fiscal year the Company spent the required funds and earned a 100% interest in the claims subject to the 1%, plus 2%, GMR.

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were comprised of the following balances:

	February 29, 2020	February 28, 2019
	\$	\$
Accounts payable	166,165	170,835
Accrued liabilities	113,476	89,150
	279,641	259,985

Accounts payable and accrued liabilities includes an amount of \$55,717 as at February 29, 2020 (February 28, 2019 - \$8,236) due to related parties (see Note 13).

12. Shareholders' Equity

(i) Share capital

Authorized and issued: the Company is authorized to issue an unlimited number of common shares. The issued and outstanding common shares are as follows:

	February 29, 2020	February 28, 2019
Shares issued and fully paid:		
Beginning of the year	51,316,042	34,475,576
Private placements	13,810,715	16,014,784
Stock options exercised	-	300,000
Warrants exercised	-	525,682
Shares issued and fully paid end of the period	65,126,757	51,316,042
For each class of share capital:		
The number of shares authorized		Unlimited
The number of shares issued and fully paid		65,126,757
The number of shares issued but not fully paid		Nil
Par value per share, or that the shares have no par value		no par value

- (a) On October 17, 2018, the Company announced it has completed a non-brokered private placement financing. Pursuant to the financing, the Company issued 3,900,000 "flow-through" shares at a price of \$0.10 per share for gross proceeds of \$390,000. In addition, the Company issued 9,714,784 units at \$0.07 per unit, for gross proceeds of \$680,034.88. Each unit will consist of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle its holder to purchase one additional common share at an exercise price of \$0.14 for a period of 24 months following the closing date of the private placement.

The Company paid aggregate finders' fees consisting of \$38,849.09 in cash and 396,571 non-transferrable finders' warrants. Each finders' warrant entitles the holder thereof to purchase one Unit at a price of \$0.07 per Unit for a period of 24 months from the issue date.

- (b) On December 21, 2018, Vanadium announced it has completed a non-brokered private placement financing. Pursuant to the financing, the Company issued 2,400,000 "flow-through" shares at a price of \$0.25 per share for gross proceeds of \$600,000. There were no warrants attached to this financing and no officers, directors or insiders participated in this private placement. In connection with the financing, the Company paid aggregate finders' fees equal to 5% of the proceeds for a total of \$30,000 in cash.

All securities issued in connection with the financing are subject to a four-month hold period from the date of issuance in accordance with applicable securities laws. The Company anticipates that the proceeds of the financing will be used to continue its exploration activities at its Mont Sorcier Iron Ore and Vanadium project.

- (c) A total of 525,682 warrants and 300,000 stock options were exercised during the year ended February 28, 2019. The Company issued 825,682 common shares for warrants and stock options exercised.

The Company recognized a premium on the issuance of Flow-through shares in fiscal 2019 in the amount of \$261,000 and set up a corresponding liability for this amount. As funds have been expended in the year this liability has been reversed and offset against deferred income tax. At year end the balance of this liability was \$Nil.

- (d) On November 9, 2019, Vanadium One announced it has completed the first tranche of a non-brokered private placement financing. Pursuant to the financing, the Company issued 9,750,000 common share units at a price of \$0.07 per unit for gross proceeds of \$682,500. Each unit will consist of one common share in the capital of the Company and one-half common share purchase warrant. Each warrant will entitle its holder to purchase one additional common share at an exercise price of \$0.11 for a period of 24 months following the closing date of the private placement. A cash fee of \$2,430 was incurred as unit issuance costs.
- (e) On December 10, 2019, the Vanadium One announced it has completed the second tranche of its non-brokered private placement financing. Pursuant to the financing, the Company issued a total of 2,160,715 common share units at a price of \$0.07 per unit for gross proceeds of \$151,250. Each Unit is comprised of one common share plus one-half warrant. Each full warrant entitles its holder to purchase one additional common share at an exercise price of \$0.11 for a period of 24 months following the closing date of the private placement. A cash fee of \$6,078 was incurred as unit issuance costs.

In addition, the Company issued 1,900,000 units of Charity Flow-Through Units ("CFT Unit") at a price of \$0.12 per CFT Unit for gross proceeds of \$228,000. Each CFT Unit is comprised of one common share plus one-half warrant. Each full warrant entitles its holder to purchase one additional common share at an exercise price of \$0.11 for a period of 24 months from the closing date of the private placement. A cash fee of \$8,299 was incurred as unit issuance costs.

The Company intends to use the gross proceeds of the offering to fund costs to continue exploration and development of the preliminary economic assessment of the Company's Mont Sorcier Iron and Vanadium Property and for general administration purposes.

The Company recognized a premium on the issuance of Flow-through shares in fiscal 2020 in the amount of \$95,000 and set up a corresponding liability for this amount. As funds have been expended in the year this liability has been reversed and offset against deferred income tax. At year end the balance of the liability was \$48,453.

- (f) There were no warrants or options exercised into common shares during the year ended February 29, 2020.

(ii) Stock options

The Company's Stock Option Plan ("the **Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal to or greater than the market price of the Company's common shares on the date of the grant to directors, officers, employees and consultants to the Company. The option period for options granted under the Plan is for a maximum period of 5 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. All options are being issued under the terms of the Company's Stock Option Plan which was approved by shareholders at the Company's Annual General and Special Meeting on March 18, 2020. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

Vanadium One Iron Corp.
(formerly Vanadium One Energy Corp.)
Notes to the Financial Statements
For the years ended February 29, 2020 and February 28, 2019
(Expressed in Canadian dollars)

The stock options activity is summarized below:

	February 29, 2020		February 28, 2019	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance at beginning of year	3,650,000	0.16	2 650 000	0,160
Granted during the period	4,100,000	0.12	1,450,000	0.15
Exercised during the period	-	-	(300,000)	0,13
Expired during the period	(1,650,000)	0.17	-	-
Cancelled	-	-	(150,000)	0.20
Balance at end of year	6,100,000	0.13	3,650,000	0.16

- On October 23, 2018, the Company announced that 1,450,000 incentive stock options were granted to Directors, Officers and Consultants of the Company. The options are exercisable at \$0.15 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 1,450,000 stock options at the issue date was \$107,840, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36-month expected average life; share price of \$0.15; 144% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

- On March 27, 2019, the Company announced that 1,100,000 incentive stock options were granted to Directors and employees of the Company. The options are exercisable at \$0.15 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 1,100,000 stock options at the issue date was \$119,321, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 36-month expected average life; share price of \$0.125; 178% expected volatility; risk free interest rate of 1.47%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

- On March 27, 2019, the Company retained Red Cloud Klondike Strike Inc. to assist the Company with accelerated capital markets outreach and agreed to pay them a fee of \$10,000 per month for a six-month period and to grant them up to 250,000 options in the Company exercisable at \$0.15 per option for a period of 2 years from the date of grant and vest immediately.

The fair value of the 250,000 stock options at the issue date was \$19,460, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 24-month expected average life; share price of \$0.125; 132% expected volatility; risk free interest rate of 1.47%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

- On December 10, 2019, the Company granted to certain employees, advisors, and directors of the Company, pursuant to the Company's stock option plan, a total of 2,450,000 stock options, each such option entitling the holder to purchase one (1) common share of the Company at a price of \$0.10 for a period of 2 years from the date of grant and vest immediately.

The fair value of the 2,450,000 stock options at the issue date was \$70,737, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 24-month

Vanadium One Iron Corp.
 (formerly Vanadium One Energy Corp.)
 Notes to the Financial Statements
 For the years ended February 29, 2020 and February 28, 2019
 (Expressed in Canadian dollars)

expected average life; share price of \$0.055; 128% expected volatility; risk free interest rate of 1.68%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

- On January 24, 2020, the Company granted to certain employees, advisors, and directors of the Company, pursuant to the Company's stock option plan, a total of 300,000 stock options, each such option entitling the holder to purchase one (1) common share of the Company at a price of \$0.10 for a period of 2 years from the date of grant and vest immediately.

The fair value of the 300,000 stock options at issue date was \$6,197, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 24-month expected average life; share price of \$0.045; 123% expected volatility; risk free interest rate of 1.53%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

As at February 29, 2020 stock option issued and outstanding are as follows:

Weighted Average		
Exercisable	Exercise Price (\$)	Expiry dates
550,000	0.14	March 11, 2020
1,450,000	0.15	October 23, 2021
1,100,000	0.15	March 27, 2022
250,000	0.15	March 27, 2021
2,450,000	0.10	December 10, 2021
300,000	0.10	January 24, 2022
6,100,000	0.13	

The weighted average fair value of options granted in the year was \$0.05 (2019 - \$0.07).

Vanadium One Iron Corp.
(formerly Vanadium One Energy Corp.)
Notes to the Financial Statements
For the years ended February 29, 2020 and February 28, 2019
(Expressed in Canadian dollars)

(iii) Warrants

The following is a summary of warrants outstanding:

	February 29, 2020		February 28, 2019	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Balance at beginning of the year	12,470,533	0.13	11 707 622	0.21
Warrants issued	7,855,358	0.11	10,507,926	0.13
Warrants exercised	-	-	(525,682)	0.10
Warrants expired	(1,962,607)	0.11	(9,219,333)	0.24
Balance at end of the year	18,363,284	0.12	12,470,533	0.13

Grant date	Oct. 17, 2018	Oct. 17, 2018	Nov. 8, 2019	Dec. 6, 2019	Dec. 6, 2019
Number of warrants	9,714,784	793,142	4,875,000	1,080,358	1,900,000
Exercise price (\$)	0.14	0.07	0.11	0.11	0.11
Expected volatility	144%	144%	125%	123%	123%
Expected warrant life	2 years	2 years	2 years	2 years	2 years
Expected dividend yield	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate	0.5%	0.5%	1.60%	1.67%	1.67%

As at February 29, 2020, the outstanding share purchase warrants are as follows:

Exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
0.14	9,714,784	0.63	October 17, 2020
0.07	793,142	0.63	October 17, 2020
0.11	4,875,000	1.69	November 8, 2021
0.11	1,080,358	1.77	December 6, 2021
0.11	1,900,000	1.77	December 6, 2021
0.12	18,363,284	1.10	

13. Related Party Transactions

The Company's related parties include its key management and their close family members, and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. In addition to share issuances, transactions with related parties were as follows:

Transactions during the year ended,	February 29, 2020	February 28, 2019
	\$	\$
Management fees paid to company controlled by an officer	377,751	120,000
Consulting fees paid to a company controlled by an officer	18,645	22,292
Management fees paid to companies controlled by Directors	60,297	89,000
Expenses reimbursed to a company controlled by an officer	25,379	30,324
Expenses reimbursed to a company controlled by a Director	-	25,858
Expenses reimbursed to an officer	62,546	65,937
Expenses reimbursed to a Director	24,833	-
Share based payments to officers and Directors	146,740	107,840
Geological fees and expenses paid to a Director, charged to mineral properties	54,204	89,842
	770,395	551,093

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Company. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

Certain officers and directors of the Company participated in the financing closed on November and December 2019, purchasing in aggregate 7,550,000 Units.

Amounts payable to related parties included in the accounts payable and accrued liabilities were as follows:

Outstanding balances owing to related parties as at,	February 28, 2020	February 28, 2019
	\$	\$
Management fees paid to an officer	24,000	-
Expenses reimbursed to an officer	17,224	-
Management fees paid to companies controlled by Directors	2,667	-
Consulting fees paid to a company controlled by an officer	2,858	-
Amounts payable to a Director for geological fees and expenses	8,968	8,236
	55,717	8,236

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. These amounts include amounts paid to the CEO, COO and CFO of the Company.

Paid to Key Management Personnel	February 28, 2020	February 28, 2019
	\$	\$
Management fees	456,693	206,292
Stock-based compensation	146,740	48,345

14. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined Federal and Provincial statutory tax rate of 26.5% (2019 – 26.5%) to the net loss for the year for reasons noted below:

	February 29, 2020	February 28, 2019
	\$	\$
Net loss before tax	<u>(1,068,204)</u>	<u>(800,884)</u>
Income tax recovery based on statutory rate	(283,000)	(212,200)
Non-cash compensation	57,000	28,500
Non-deductible items	600	500
Exploration expenditures	45,000	(32,162)
Share issue costs	<u>(16,000)</u>	<u>(14,000)</u>
	(196,400)	(229,162)
Valuation allowance	118,015	-
Provision per financial statements	<u>(78,385)</u>	<u>(229,162)</u>

The Company has incurred tax losses of approximately \$5,149,000 (2019 - \$4,533,000) which may be used to reduce future taxable income. The potential benefit of these losses has not been recognized in these financial statements and will expire, if unused, in the fiscal years ended February 28 as follows:

	<u>Amount</u>
2029	31,000
2030	52,000
2031	253,000
2032	787,000
2033	665,000
2034	258,000
2035	198,000
2036	176,000
2037	435,000
2038	935,000
2039	740,000
2040	<u>619,000</u>
	<u>5,149,000</u>

Vanadium One Iron Corp.
(formerly Vanadium One Energy Corp.)
Notes to the Financial Statements
For the years ended February 29, 2020 and February 28, 2019
(Expressed in Canadian dollars)

The components of deferred income tax asset (liability) are as noted below:

	February 29, 2020	February 28, 2019
	\$	\$
Non-capital losses and share issue costs	1,400,000	1,250,000
Mineral properties and other	205,000	280 000
	1,605,000	1,530,000
Valuation allowance	(1,605,000)	(1,530,000)
	-	-

In addition to the above tax losses the Company has incurred Canadian Development Expenditures, Canadian Exploration Expenditures and Foreign Exploration and Development Expenditures in the amount of \$3,892,000 (2019 - \$3,490,000) which may be used to reduce future taxable income. The potential benefit of these expenditures has not been recognized in these financial statements and can be carried-forward without expiry.

15. Capital Management and Liquidity

The Company considers its capital structure to consist of its equity, comprised of common shares, reserves (stock options and warrants), and accumulated deficit. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSX-V") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of February 28, 2020, the Company may not be totally compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods ended February 29, 2020 and February 28, 2019. The Company is not subject to externally imposed capital requirements. The Company's capital for the reporting periods is summarized as follows:

	February 29, 2020	February 28, 2019
	\$	\$
Common shares	9,852,092	9,037,854
Reserves	2,402,517	2,051,096
Deficit	(9,160,419)	(8,170,600)
	3,094,190	2,918,350

16. Financial Instruments

Financial Instruments details can be summarized as follows:

	Level of Fair Value Measurement	Balance as at	
		February 29, 2020	February 28, 2019
		\$	\$
Financial assets measured at amortized cost			
Cash and cash equivalents	Level 1	256,446	180,467
Receivables and other	Level 2	34,284	144,675
		290,730	325,142
Financial liabilities measured at amortized cost			
Accounts payable and accrued liabilities	Level 1	279,641	259,985
		279,641	259,985

Fair Value of Non-Derivative Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Level 3 fair values are based on a number of valuation techniques other than observable market data. There are no level 3 values currently recorded on the balance sheet of the Company.

17. Financial Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and interest rate risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is not exposed to credit risk due to the nature of the collectible accounts. At February 29, 2020 and February 28, 2019, the Company does not have any allowance for doubtful accounts. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to amounts receivable. The Company considers the risk of loss for its amounts receivable to be remote and significantly mitigated due to the financial strength of the party from whom the receivables are due - the Canadian government for harmonized sales tax ("HST") refunds receivable and the Quebec government for Quebec sales tax (QST) refunds receivable.

(ii) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations at their maturity. In addition to having a working capital deficiency, the Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. It is anticipated that the Company will continue to rely on equity financing to meet its ongoing working capital requirements. The Company has a significant working capital deficiency at period end and therefore liquidity risk is considered high.

(iii) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. These risks are generally outside the control of the Company. The objectives of the Company are to mitigate market risk exposure within acceptable limits, while maximizing returns. The Company has no significant exposure to market risk.

(iv) Interest rate sensitivity

The Company has no significant exposure at February 29, 2020 and February 28, 2019 to interest rate risk through its financial instruments.

18. Commitments and contingencies

From time to time, the Company may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Company.

On January 9, 2019, the Company fulfilled its \$1,000,000 financial commitment for exploration expenditures to Chibougamau Independent Mines Inc. (CIM) in accordance with the "Option to Purchase Agreement" dated September 29, 2016 and amended on October 14, 2016. As a result, Vanadium One Iron Corp. acquired title to 100% of all 37 claims of the Mont Sorcier Iron Ore and Vanadium Project.

As at February 29, 2020 the Company's management is not aware of any other commitments and/or contingencies.

19. Segment information

The Company operates in one business segment being iron ore exploration in Canada. As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding this Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

20. Subsequent events

On April 9, 2020 Vanadium One Iron announced that it had filed the technical report entitled "NI 43-101 Technical Report - Preliminary Economic Assessment (PEA) of the Mont Sorcier Project, Province of Quebec, Canada". The report was completed by CSA Global Consultants Canada Ltd, an ERM Company (CSA Global) and has an effective date of February 27, 2020. The report was prepared in accordance with Canadian Securities Administrators' National Instrument 43-101 ("NI 43-101") Standards of Disclosure for Mineral Projects.