VICTORY RESOURCES CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared By Management)
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED AUGUST 31, 2019 AND 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

		August 31, 2019		February 28, 2018
ASSETS				
Current assets				
Cash	$	302,161	$	1,003,998
Amounts receivable		-		24,706
GST receivable		5,081		14,971
Prepaid expenses		68,125		53,682
Total current assets		375,367		1,097,357
Non-current assets				
Long-term investments (Note 4)		84,416		29,546
Reclamation deposit		3,050		3,050
Exploration and evaluation assets (Note 5)		10,001		10,001
Total non-current assets		97,467		42,597
Total assets	$	472,834	$	1,139,954
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 6)	$	102,268	$	61,921
Due to related parties (Note 7)		5,000		34,595
Total liabilities		107,268		96,516
Shareholders' equity				
Capital stock (Note 8)		28,811,898		28,805,298
Reserves (Note 8)		770,606		770,606
Deficit		(29,216,938)		(28,532,466)
Total shareholders' equity		365,566		1,043,438
Total liabilities and shareholders' equity	$	472,834	$	1,139,954

Nature of operations and going concern (Note 1)
Segmented information (Note 9)
Subsequent event (Note 13)

Approved and authorized on behalf of the Board of Directors on September 26, 2019.

"Dave Cross"	Director	*"David Lane"*	Director
Dave Cross		David Lane	

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

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)
FOR THE SIX MONTHS ENDED AUGUST 31,

	Three Months Ended August 31, 2019	Three Months Ended August 31, 2018	Six Months Ended August 31, 2019	Six Months Ended August 31, 2018
EXPENSES				
Advertising and promotions	$ 281,640	113	347,691	9,863
Consulting	11,049	$ 75,000	109,068	182,500
Management and directors fees (Note 7)	24,000	24,000	48,000	48,000
Office and administration (Note 7)	12,149	10,455	33,126	31,921
Professional fees (Note 7)	68,287	37,479	100,880	96,152
Property investigation	-	7,809	-	79,978
Share-based compensation (Note 8)	-	-	-	474,000
Transfer agent and filing fees	13,811	820	21,501	10,430
Travel	8,137	1,532	79,076	19,746
Gain on forgiveness of debt	-	(5,059)	-	(5,059)
Unrealized gain on long-term investment	(67,533)	-	(54,870)	-
Loss and comprehensive loss for the period	$ (351,540)	$ (152,149)	$ (684,472)	$ (947,531)
Loss per share attributable to the owners of the Company:				
Basic and diluted loss per common share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	97,200,588	54,960,936	97,130,762	54,960,936

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

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)
FOR THE SIX MONTHS ENDED AUGUST 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (684,472)	$ (947,531)
Items not affecting cash:		
Share-based compensation	-	474,000
Unrealized gain on long-term investments	(54,870)	-
Changes in non-cash working capital:		
Prepaid expenses	(14,443)	(5,067)
Amounts receivable	34,596	(190)
Accounts payable and accrued liabilities	40,347	(72,723)
Net cash used in operating activities	(678,842)	(551,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received from related parties	-	(61,095)
Repayment of loan payable	(29,595)	-
Share subscription received	6,600	19,200
Net cash used in financing activities	(22,995)	(41,896)
Change in cash for the period	(701,837)	(593,406)
Cash, beginning of the period	1,003,998	1,063,930
Cash, end of the period	$ 302,161	$ 470,524
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 12)

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

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock		Reserves				
	Number	**Amount**	**Options and warrants reserve**	**Foreign currency translation**	**Total Reserves**	**Deficit**	**Total equity**
Balance as at February 28, 2018	54,960,936	$ 27,870,693	$ 262,054	$ 431,216	$ 693,270	$ (26,379,602)	$ 2,184,361
Share-based compensation	-	-	474,000	-	-	-	474,000
Net loss for the period	-	-	-	-	-	(947,531)	(947,531)
Balance as at August 31, 2018	54,960,936	27,870,693	736,054	431,216	693,270	(27,174,984)	1,710,830
Private placements	42,100,000	1,052,500	-	-	-	-	1,052,500
Share issuance costs	-	(77,895)	-	-	-	-	(77,895)
Share issuance costs - warrants	-	(40,000)	40,000	-	40,000	-	-
Options cancelled	-	-	(5,448)	-	(5,448)	5,448	-
Exchange differences on translating foreign operations	-	-	-	33,720	33,720	-	33,720
Foreign currency translation realized on sale of subsidiary	-	-	-	(464,936)	(464,936)	-	(464,936)
Net loss for the period	-	-	-	-	-	(1,362,930)	(1,362,930)
Balance as at February 28, 2019	97,060,936	28,805,298	770,606	-	770,606	(28,532,466)	1,043,438
Share issuance for warrants exercised	176,000	6,600	-	-	-	-	6,600
Net loss for the period	-	-	-	-	-	(684,472)	(684,472)
Balance as at August 31, 2019	97,236,936	$ 28,811,898	$ 770,606	$ -	$ 770,606	$ (29,216,938)	$ 365,566

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Victory Resources Corporation, ("Victory" or the "Company") is a publicly traded junior mineral exploration company. The Company is principally engaged in the acquisition, exploration and evaluation of mineral properties, and has no significant revenues. The common shares of the Company trade on the CSE Exchange ("CSE-VR") under the symbol "VR".

The Company was incorporated in British Columbia on February 8, 1984. The Company's head office address is Suite 734 – 1055 Dunsmuir St., Vancouver, BC, V7X 1B1. The Company's registered and records office address is 3700-400 3rd Avenue SW, Calgary, AB, T2P 4H2.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at August 31, 2019, the Company has a deficit of $29,216,938 (February 28, 2019 - $28,532,466). The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares, proceeds from loans and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly these condensed interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these condensed interim financial statements.

2. BASIS OF PREPARATION

Basis of Presentation

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended February 28, 2019, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company's financial statements for the year ended February 28, 2019.

Basis of Measurement

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed interim financial statements were authorized for issue by the Board of Directors on September 26, 2019.

Functional and presentation currency

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

2. BASIS OF PREPARATION (cont'd...)

Stock Split

On June 6, 2019, the Company split its issued and outstanding common shares on the basis of four shares for each existing common share. Unless otherwise noted, all share, option and warrant information, including per share amounts have been retrospectively adjusted to reflect this stock split.

Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity 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.

Critical accounting estimates

Critical 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 the following:

Carrying value and recoverability of exploration and evaluation assets

The assessment of the potential impairment of the carrying value and recoverability of exploration and evaluation assets included in the statements of financial position are based on management's best estimate.

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options.

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 the following:

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recognized any deferred tax assets.

Determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company is Canadian dollars based on the primary economic environment in which the entity operates.

2. BASIS OF PREPARATION (cont'd...)

Long-term investments

The valuation and measurement of long-term investments, including the determination of fair value, is an estimate and requires judgement.

Going concern

The assessment of the Company's ability to continue as a going concern is a significant judgment. See Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The presentation currency of the Company is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss).

Financial Instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial Instruments (cont'd…)

i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company's financial instruments as at March 1, 2018 as a result of adopting IFRS 9 (along with comparison to lAS 39) are as follows:

Financial Instruments (cont'd…)

Financial Instrument	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Long-term investments	Not applicable	FVTOCI
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Due to related parties	Other financial liabilities (amortized cost)	Amortized cost

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs for all classifications of financial instruments, other than those at FVTPL, that are directly attributable to the acquisition or issuance of a financial asset or financial liability are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain in profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. If impairment is assessed, exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to mines under construction.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Impairment of long-lived assets

At the end of each reporting period, the Company's long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provision for environmental rehabilitation

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. Provisions are not recognized for future operating losses.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In a loss period, potentially dilutive stock options and warrants are excluded from the loss per share calculation as the effect would be anti-dilutive.

Share-based payments

Where equity-settled stock options are awarded to employees, consultants, officers and directors, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Fair value is determined on the grant date using the Black-Scholes option pricing model. Performance 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 these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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 profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in profit or loss, unless they are related to the issuance of shares. Amount related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amount recorded in reserves for unexercised share options is transferred to deficit upon expiry or cancellation of such options.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned the residual value after the main component of the equity financing (common shares) is valued, which is determined by the closing price on the announcement date. Warrants that are issued as payment for agency fees or other transaction costs are accounted for as share-based payments.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares were issued or received.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid by the investor for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New Accounting Pronouncements Adopted During the Period

IFRS 16 *Leases* - On January 13, 2016 the IASB issued IFRS 16 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

Adoption of this standard on the financial statements of the Company did not have a material impact.

4. LONG-TERM INVESTMENTS

During the year ended February 28, 2019, the Company purchased 2,110,400 units of Primary Energy Metals Inc. ("Primary") for a total of $158,280. Each unit consisted of one common share and one share purchase warrant. Each purchase warrant entitles the Company to purchase an additional share of Primary at a cost of $0.15 until September 7, 2019. On February 20, 2019, Primary completed a 10:1 share consolidation, resulting in the exercise price of the warrants increasing to $1.50 per share, and reducing the total number of units held to 211,040. The Company still owned all 211,040 units at August 31, 2019.

At August 31, 2019:

i) the shares were initially valued at the market price of Primary's shares on August 21, 2018 of $0.065 per share for a total value of $137,176. At May 31, 2019, the shares were re-valued using the fair value trading price of $0.08 (February 29, 2019 - $0.14), and has a fair market value of $16,883 (February 28, 2019 - $29,546.) The re-valuation at May 31, 2019 resulted in a loss on investment in shares of $12,663 (May 31, 2018 - $nil). The re-valuation at August 31, 2019 resulted in a gain on investment in shares of $67,533 (August 31, 2018 - $nil).

ii) the warrants were initially measured using the residual value method based on Primary's unit price at the date of issuance (August 21, 2018) of $0.075, less the market price of shares on that date of $0.065 resulting in a fair value of $21,104. The subsequent increase in the exercise price of the warrants to $1.50 per share, and the fact they expire on September 7, 2019, resulted in a revaluation loss of $21,104 and a fair market value of $nil at year-end, which remains the same as of August 31, 2019.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Toni Property	Reforma Project	Rich Lake Property	Total
Balance, February 28, 2018 and August 31, 2018	1,820,544	1	1	1,820,546
Sale of subsidiary	-	(1)	-	(1)
Write-down	(1,810,544)	-	-	(1,810,544)
Balance, February 28, 2019 and August 31, 2019	$ 10,000	$ -	$ 1	$ 10,001

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims that may be impacted by the conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all of its properties is properly registered and in good standing.

Toni Property, Nicola Division, British Columbia

The Company has a 100% interest in the Toni Property and is not aware of any charges, encumbrances or claims. As consideration the Company paid $30,000, issued 300,000 common shares and incurred at least $250,000 in cumulative exploration expenditures during the years ended February 28, 2006 and 2007. The property is subject to a 2% net smelter returns royalty.

During the year ended February 28, 2019, the Company determined the Toni Property to be impaired as the Company intends to move away from mineral exploration, and wrote down the carrying value to $10,000 in accordance with level 3 of the fair value hierarchy.

Reforma Project, Mexico

During the year ended February 28, 2014, the Company determined the Reforma Project to be impaired and wrote down the carrying value of the Reforma Project to $1. The Company has earned a 70% interest in the Reforma Project. On November 23, 2018 the Company sold its 70% interest in the Mexican subsidiary for $1 which included the Reforma Project.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Rich Lake Lithium Property, Ontario

During the year ended February 29, 2016, the Company acquired claims in the area designated as the Rich Lake Lithium Property.

During the year ended February 28, 2017, the Company entered a joint venture with Urban Mining Ventures Inc. in which Urban Mining Ventures Inc. could earn 25% of the mineral rights on the Rich Lake Lithium Property.

During the year ended February 28, 2017, Urban Mining Ventures Inc. abandoned the joint venture agreement.

During the year ended February 28, 2018, the Company determined the Rich Lake Lithium Property to be impaired and wrote down the carrying value to $1 in accordance with level 3 of the fair value hierarchy.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2019	February 28, 2019
Trade payables	$ 94,768	$ 16,921
Accrued liabilities	7,500	45,000
Total	$ 102,268	$ 61,921

All accounts payable and accrued liabilities for the Company are expected to fall due within the next 12 months.

7. RELATED PARTY TRANSACTIONS

Management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

Key management personnel compensation during the period ended August 31, 2019 and 2018 was as follows:

	August 31, 2019	August 31, 2018
Management and directors fees	$ 48,000	$ 21,000
Share-based compensation	-	152,289
Accounting and professional fees, included in professional fees	5,075	27,000
Legal fees, included in professional fees	4,614	30,422
	$ 57,689	$ 230,711

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (cont'd...)

The amounts due to the related parties are as follows:

		August 31, 2019		August 31, 2018
Due to directors and officers	$	371	$	675
Due to a company with common directors		-		11,652
	$	371	$	12,327

The amounts owing are unsecured, non-interest bearing and have no fixed term for repayment.

8. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at August 31, 2019, the Company has unlimited authorized common shares without par value.

b) Issued share capital:

On June 24, 2019, the Company issued 176,000 shares for gross proceeds of $6,600 pursuant to the exercise of warrants.

During the year ended February 28, 2019, the Company completed a non-brokered private placement of 42,100,000 non-flow-through units at $0.025 per unit for gross proceeds of $1,052,500. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of $0.0375 per share, with an expiry date of January 29, 2021. Share issuance costs of $77,895 were incurred, including $69,400 of finder's fees. 2,776,000 finder's warrants (valued at $40,000 using the Black-Scholes valuation) exercisable at a price of $0.0375 until January 29, 2021 were paid and issued to qualified parties in connection with the non-flow-through unit issuance. The fair value of the warrants was recognized as a share issuance cost with a corresponding increase in reserves.

b) Stock options:

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's shares, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

There were no stock options granted during the period ended August 31, 2019.

On March 20, 2018, the Company granted 4,920,000 stock options to officers, directors, employees and consultants of the Company. The options are exercisable at a price of $0.07125 per option for a period of five years. The Company used the Black-Scholes option pricing model to calculate the fair value of the options and recorded $474,000 in share-based compensation.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

A summary of stock options is presented as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding and exercisable, February 28, 2018	48,000	$	0.625
Issued	4,920,000		0.07125
Cancelled	(16,000)		0.625
Outstanding and exercisable, February 28, 2019 and August 31, 2018 and 2019	4,952,000	$	0.075

At August 31, 2019, the following stock options were outstanding and exercisable:

Expiry Date	Number of Options		Exercise Price
August 6, 2020	32,000	$	0.625
March 20, 2023	4,920,000	$	0.07125

The following weighted average assumptions were used for the Black-Scholes valuation of the options:

	Six Months Ended August 31, 2019	Year Ended February 28, 2019
Share price	-	$ 0.10
Exercise price	-	$0.07125
Risk-free interest rate	-	2.04%
Expected life of warrants	-	5 years
Expected annualized volatility	-	179.04%
Expected dividend rate	-	0.00%

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

c) Warrants:

A summary of warrants is presented as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, February 28, 2018 and August 31, 2018	40,648,852	$ 0.065
Issued	44,876,000	0.0375
Expired	(192,000)	0.625
Outstanding, February 28, 2019	85,332,852	$ 0.065
Exercised	(176,000)	0.0375
Expired	(192,000)	0.625
Outstanding, August 31, 2019	84,964,852	$ 0.0625

At August 31, 2019 the following warrants were outstanding and exercisable:

	Number of Warrants Outstanding	Exercise Price
January 21, 2020	18,937,904	$ 0.06875
January 21, 2020 – agent warrants	898,948	0.06875
January 21, 2020	19,420,000	0.0525
January 21, 2020 – agent warrants	1,008,000	0.0525
January 21, 2021	42,100,000	0.0375
January 21, 2021 – agent warrants	2,600,000	0.0375
	84,964,852	

The following weighted average assumptions were used for the Black-Scholes valuation of the agent warrants:

	Six months ended August 31, 2019	Year ended February 28, 2018
Share price	-	$ 0.03
Exercise price	-	$ 0.0375
Risk-free interest rate	-	1.84%
Expected life of warrants	-	2 years
Expected annualized volatility	-	106.38%
Expected dividend rate	-	0.00%

(Expressed in Canadian Dollars)

9. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of mineral properties. Geographical information is as follows:

	August 31, 2019	February 28, 2019
Exploration and evaluation assets		
Canada	$ 10,001	$ 10,001

	Six months ended August 31, 2019	Year ended February 28, 2019
Loss from continuing operations for the period		
Canada	$ (739,342)	$ (3,128,017)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Fair values

The Company's financial instruments consist of cash, amounts receivable, subscriptions receivable, long-term investments, accounts payable and accrued liabilities and due to related parties. Cash and long-term investments are carried at fair value. The fair values of amounts receivable, subscriptions receivable, accounts payable and accrued liabilities and due to related parties approximate their carrying amounts due to their current nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

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

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (cont'd….)

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Balance	Quoted Prices in Active Markets for Identical Ass ets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As at August 31, 2019				
Cash	$ 302,161	$ 302,161	$ -	$ -
Long-term investments	84,416	84,416	-	-
As at February 28, 2019				
Cash	$ 1,003,998	$ 1,003,998	$ -	$ -
Long-term investments	29,546	29,546	-	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risks associated with its amounts receivable are monitored by management. The Company's exposure to potential loss is equal to the carrying value of the amounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at August 31, 2019, the Company had a cash balance of $302,161 (February 28, 2019 - $1,003,998), GST receivable of $5,081 (February 28, 2019 - $14,971) and amounts receivables of $Nil (February 28, 2019 - $24,706) to settle current liabilities of $107,268 (February 28, 2019 - $96,516). All of the Company's trade accounts payable and amounts due to related parties have contractual maturities of 30 days or are due on demand and accounts payable are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As August 31, 2019, the Company did not hold any material interest bearing investments or liabilities and has no significant interest rate risk.

11. CAPITAL RISK MANAGEMENT

b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At August 31, 2019, the Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has limited foreign currency exposure.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration of the Toni Property is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

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 its capital structure, the Company may issue new shares, issue new debt, and/or acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended August 31, 2019.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had no cash flows from discontinued operations, as such no such disclosure was shown on the statement of cash flows.

Investing and financing activities that do not require the use of cash are excluded from the statement of cash flows.

The following transactions have been excluded from the statement of cash flows for the six month period ended August 31, 2018:

a) Included in accounts payable and accrued liabilities and amounts due to related parties is $536,477 of exploration and evaluation asset costs.

13. SUBSEQUENT EVENT

Subsequent to August 31, 2019, the Company announced it is undertaking a non-brokered private placement offering of up to $2,000,000.The private placement consists of units priced at $0.015. Each unit consists of one common share and one common share purchase warrant, exercisable at $0.05 for the period of two year from closing.