AVARONE METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

To the Shareholders of Avarone Metals Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Dale Matheson Carr-Hilton LaBonte LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

November 27, 2019

Marc Levy (CEO) **Peter Lee (Director)**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Avarone Metals Inc.

Opinion
We have audited the consolidated financial statements of Avarone Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion
We conducted our audit 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 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 the information included in 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 27, 2019

AVARONE METALS INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	July 31, 2019	July 31, 2018
	$	$
ASSETS		
Current		
Cash	48,040	33,067
Accounts receivable	19,089	820
Prepaid expenses	766	750
Deposit (note 4)	21,242	-
	89,137	34,637
Deposit (note 4)	-	21,242
Equipment (note 5)	1,917	2,397
	91,054	58,276
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	411,398	286,163
Note payable (notes 8 and 12)	170,100	170,100
Loans payable (note 9)	121,500	121,500
	702,998	577,763
SHAREHOLDERS' EQUITY		
Share capital (note 10)	14,739,256	14,480,367
Share subscriptions (notes 9 and 10)	24,300	24,300
Reserve (note 10)	706,888	703,697
Deficit	(16,082,388)	(15,727,851)
	(611,944)	(519,487)
	91,054	58,276

Nature of operations and going concern (note 1)

Commitment (note 13)

Subsequent event (note 18)

On behalf of the Board:

"Marc Levy" Director   "Peter Lee" Director

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

AVARONE METALS INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

Years ended July 31,

	2019	2018
	$	$
Expenses:		
General and administrative		
Depreciation (note 5)	479	599
Management fees (note 12)	90,040	96,544
Office costs (note 12)	13,295	4,716
Professional fees	30,805	36,162
Regulatory, transfer agent, and shareholder information	19,668	17,394
Share-based payments (notes 10 and 12)	142,497	88,684
Travel, promotion and shareholder communication	2,134	7,449
Salaries and benefits (note 12)	55,095	52,624
Rent (note 12)	28,351	32,261
	382,364	336,433
Loss before other items	(382,364)	(336,433)
Other items:		
Cost recovery (note 12)	-	30,188
Finance costs (notes 9 and 11)	(29,165)	(34,142)
Net loss and comprehensive loss for the year	(411,529)	(340,387)
Loss per common share, basic and diluted	(0.00)	(0.00)
Weighted average number of common shares outstanding, basic and diluted	87,562,647	85,144,143

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

AVARONE METALS INC.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

Years ended July 31, 2019 and 2018

	Notes	Share capital: Common shares	Share capital: Amount	Share subscriptions	Reserve: Stock options and warrants	Deficit	Total shareholders' deficiency
		#	$	$	$	$	$
Balance as at July 31, 2017		84,377,495	14,357,567	15,300	719,855	(15,482,464)	(389,742)
Private placement	10	1,000,000	65,000	-	-	-	65,000
Exercise of warrants for cash	10	550,000	27,500	-	-	-	27,500
Exercise of stock options	10	409,166	20,458	-	-	-	20,458
Forfeited options	10	-	-	-	(95,000)	95,000	-
Reallocation of fair value of stock options exercised	10	-	9,842	-	(9,842)	-	-
Share-based payments	10	-	-	-	88,684	-	88,684
Shares to be issued for loan agreements	9	-	-	9,000	-	-	9,000
Loss for the year		-	-	-	-	(340,387)	(340,387)
Balance as at July 31, 2018		86,336,661	14,480,367	24,300	703,697	(15,727,851)	(519,487)
Private placement	10	1,000,000	40,000	-	10,000	-	50,000
Exercise of warrants for cash	10	500,000	25,000	-	-	-	25,000
Exercise of stock options	10	2,035,000	101,575	-	-	-	101,575
Forfeited options	10	-	-	-	(56,992)	56,992	-
Reallocation of fair value of stock options exercised	10	-	92,314	-	(92,314)	-	-
Share-based payments	10	-	-	-	142,497	-	142,497
Loss for the year		-	-	-	-	(411,529)	(411,529)
Balance as at July 31, 2019		89,871,661	14,739,256	24,300	706,888	(16,082,388)	(611,944)

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

AVARONE METALS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended July 31,	2019	2018
	$	$
Cash provided by (used in):		
Operating activities:		
Net loss for the year	(411,529)	(340,387)
Items not involving cash:		
Accrued interest	29,160	25,142
Depreciation	479	599
Loan fees	-	9,000
Share-based payments	142,497	88,684
	(239,393)	(216,962)
Changes in working capital:		
Accounts receivable	(18,269)	5,770
Prepaid expenses	(16)	-
Accounts payable and accrued liabilities	96,076	70,276
	(161,602)	(140,916)
Financing activities:		
Shares issued for cash, net of issue costs	50,000	65,000
Exercise of warrants	25,000	27,500
Exercise of options	101,575	20,458
Proceeds from loans	-	45,000
Repayment of loans	-	(17,000)
	176,575	140,958
Increase in cash during the year	14,973	42
Cash, beginning of the year	33,067	33,025
Cash, end of the year	48,040	33,067

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

1. Nature of Operations and Going Concern

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares are listed on the Canadian Securities Exchange ("Exchange" or "CSE") under the symbol "AVM".

The head office and principal address of the Company are located at Suite 610 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 700 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of looking for resource properties to explore and has not yet identified any properties that contain established mineral reserves that are economically recoverable. The Company's ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. At July 31, 2019, the Company had not yet achieved profitable operations, had accumulated losses of $16,082,388 (2018 - $15,727,851), a working capital deficit of $613,861 (2018 - $543,126) and expects to incur further losses in the development of its business. The Company will be required to raise additional capital in order to fund future exploration and evaluation activity and meet its working capital requirements. While the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing or that such financing will be available on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

2. Significant Accounting Policies

The consolidated financial statements were authorized for issue on November 27, 2019 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of Presentation and Consolidation

These consolidated financial statements, including comparatives, have been prepared on a historical cost basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements include the accounts of the Company and its wholly-owned inactive Mexican subsidiary, Promotora Minera Dialex S.A. de C.V. ("Dialex"). All intercompany balances and transactions have been eliminated on consolidation.

2. Significant Accounting Policies – (continued)

(b) Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount 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 expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty and judgments that management has made at the date of the statement of financial position which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

Going Concern

These financial statements have been 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.

The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

If the going concern assumptions were not appropriate for these financial statements adjustments would be necessary in the carrying value of assets and liabilities, expenses and the statement of financial position classifications use.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

Share-based Payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant. The fair value of share options are estimated by using the Black-Scholes Option Pricing Model on the date of the grant based on certain assumptions. Those assumptions are described in note 10 and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually and reviews the estimated date of the financial close of project which will impact the financial statements. In the event that milestone conditions are not met, it is anticipated that certain options will lapse.

Taxes

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

(c) Functional and Presentation of Foreign Currency

The financial statements are presented in Canadian dollars unless otherwise noted. The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar.

2. Significant Accounting Policies – (continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments which are readily convertible into cash and that are subject to an insignificant risk of changes in value. The Company's cash and cash equivalents are invested with major financial institutions in business and savings accounts which are readily available on demand by the Company. For the years presented, the Company is only holding cash.

(e) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment. Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rates used to compute depreciation are as follows:

Computer hardware	-	30% declining balance
Office equipment	-	10 to 20% declining balance

(f) Exploration and Evaluation Expenditures

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

Exploration and evaluation expenditures incurred prior to the determination of commercially viable mineral resources, the feasibility of mining operations and a positive development decision are expensed as incurred. Mineral property acquisition costs and development expenditures incurred subsequent to such a determination are capitalized and amortized over the estimated life of the property following the commencement of commercial production, or are written off if the property is sold, allowed to lapse or abandoned or when an impairment is determined to have occurred.

(g) Provisions

Decommissioning Obligations

A liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for the same amount. Subsequently, these capitalized decommissioning costs will be depreciated over the life of the related assets. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at July 31, 2019 and 2018, the Company has determined that it does not have any decommissioning obligations as the disturbance to date is minimal.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

2. Significant Accounting Policies – (continued)

(h) Share-based Payments

Share-based payments to employees are measured at the fair value of the stock options at the grant date and amortized to expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded in equity as a stock option and warrant reserve. The fair value of options is determined using a Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

(i) Loss per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

All potential dilutive equity instruments are anti-dilutive for the years presented.

(j) Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of August 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

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

2. Significant Accounting Policies – (continued)

(j) Financial instruments (continued)

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original Classification IAS 39	New Classirifcation IFRS 9
Finaniclal Assets		
Cash	Loans and receviables	Amortized cost
Accounts Receivable	Loans and receviables	Amortized cost
Financial Liabilities		
Accounts payable	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company shall recognize in the consolidated statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. Significant Accounting Policies – (continued)

(j) Financial Instruments (continued)

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(k) Flow-through Shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Common shares issued on a flow-through basis typically include a premium because of the tax benefits provided to the investor. At the time of issue, the Company estimates the proportion of the proceeds attributable to the premium and the common shares. The premium is estimated as the excess of the subscription price over the value of common shares on the date of the transaction and is recorded as a flow through premium liability. The Company recognizes a pro rata amount of the premium through the statement of comprehensive loss as other income with a corresponding reduction to the flow through premium liability as the flow-through expenditures are incurred and renounced.

When the flow-through expenditures are incurred and renounced, the Company records the tax effect as a change to profit or loss and an increase to deferred income tax liabilities. To the extent that the Company has deferred income tax assets that were not recognized in previous periods, a deferred income tax recovery is recorded to offset the liability resulting from the renunciation.

(l) Valuation of Equity Units Issued in Private Placements

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

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

(m) Income Taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

2. Significant Accounting Policies – (continued)

(m) Income Taxes – (continued)

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences that arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB or the IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 which specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessess accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 will be effective August 1, 2019. As the Company has no long-term leases, the adoption of the new standard is not expected to have any impact on the financial statements.

4. Deposit

The deposit consists of a security deposit on the leased office space.

(Expressed in Canadian Dollars)

5. Equipment

	Computer hardware	Office equipment	Total
Costs:	$	$	$
Balance, July 31, 2018 and 2019	24,343	42,314	66,657
Depreciation:			
Balance, July 31, 2017	18,168	31,020	49,188
Depreciation	-	599	599
Balance, July 31, 2018	18,168	31,619	49,787
Depreciation	-	479	479
Balance, July 31, 2019	18,168	32,098	50,266
Impairment:			
Balance, July 31, 2018 and 2019	6,175	8.298	14,473
Net Book Value:			
July 31, 2019	-	1,917	1,917
July 31, 2018	-	2,397	2,397

6. Exploration and Evaluation Expenditures

Exploration expenditures have been expensed as incurred in accordance with the Company's accounting policy for exploration and evaluation costs. During the year ended July 31, 2019, expenditures incurred by the Company on the properties was $Nil (2018 - $Nil).

(a) Wildnest and Phantom Lake Properties

The Company entered into an option agreement with Ray-Dor Resources Ltd. (the "Optionor") dated November 15, 2012, as amended on October 28, 2013 and November 24, 2014, ("Agreement"), pursuant to which it has been granted an option to acquire a 100% interest in seven mineral claims known as the Wildnest and Phantom Lake gold properties located in the Flin Flon area of Manitoba and Saskatchewan (the "Claims").

Under the terms of the Agreement, the Company may earn a 100% interest by completing the following: making cash payments of $32,500 ($7,500 paid) over four years; and issuing 450,000 common shares (400,000 shares issued) of the Company over three years, in accordance with the schedule below. In addition, the Company is required to complete exploration programs totalling $850,000 over a five year period. The option agreement is in default since December 2015 as required payments were not made.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Expenditures-(continued)

(a) Wildnest and Phantom Lake Properties (continued)

Date	Cash	Common shares	Exploration Expenditures
	$	#	$
Upon Exchange approval	2,500 (paid)	50,000 (issued)	-
On or before November 7, 2013	-	200,000 (issued)	-
On or before June 21, 2014	5,000 (paid)	-	-
On or before December 21, 2014	-	150,000 (issued)	
On or before December 21, 2015	10,000*	50,000*	16,515
On or before December 21, 2016	15,000**	-	50,000**
On or before December 21, 2017	-	-	150,000***
On or before December 21, 2018	-	-	200,000****
On or before December 21, 2019	-	-	433,485
Totals	32,500	450,000	850,000

*As at July 31, 2019, the Company had not made the $10,000 payment or issued the 50,000 common shares due on December 21, 2015, and the option agreement is in default.
** On December 21, 2016 the Company failed to make the cash payment of $15,000 or incur $50,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.
*** On December 21, 2017 the Company failed to incur $150,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.
**** On December 21, 2018, the Company failed to incur $200,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.

The Claims are subject to a 2% net smelter royalty (NSR), of which, 50% of the NSR or 1% NSR may be acquired by the Company at any time for $500,000.

(b) Rushton Lake Gold Property

The Company entered into an option agreement dated January 8, 2014 whereby the Company has been granted an option to acquire a 100% interest in the Rushton Lake Gold Property (the “Property”) located in central Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Property by completing the following: issuing an aggregate of 4,000,000 common shares (issued), making cash payments of $300,000 over 30 months and incurring exploration expenditures of $3,500,000 over four years. The option agreement was in default since July 8, 2015 as required payments were not made. During the year ended July 31, 2018, the agreement was terminated.

(c) McWilliams Lake Gold Property

The Company entered into an option agreement dated March 25, 2014 whereby the Company has been granted an option to acquire a 100% interest in the McWilliams Lake Gold Property (the “Property”) located in Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Property by issuing an aggregate of 4,000,000 common shares (issued) and incurring exploration expenditures of $1,000,000 within four years of the signing of the agreement. In order to keep the claims in good standing an annual minimum exploration requirement on the claims must be met. During the year ended July 31, 2018, the agreement was terminated.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Expenditures – (continued)

(d) Moab Lake Property

On March 8, 2016, the Company entered into an agreement to acquire a 100% interest in the Moab Lake Lithium Project, which covers an area of 3200 acres of placer claims in the Big Smoky Valley, Nevada.

Under the terms of the agreement, the Company can earn a 100% interest in the Moab Lake Lithium Project by completing the following: issuing 3,000,000 common shares (issued for a fair value of $300,000) upon Exchange approval and paying cash considerations totaling $200,000 over the next three years: $75,000 on or before six months upon Exchange approval and $125,000 on or before 36 months upon Exchange approval. A 1% gross overriding royalty has also been granted to the vendor, which can be purchased by the Company at any time for $1,000,000. During the year ended July 31, 2018, the agreement was terminated.

7. Accounts payable and accrued liabilities

	July 31, 2019	July 31, 2018
	$	$
Accounts payable	26,548	22,778
Due to related parties (note 12)	271,875	183,049
Accrued liabilities (note 9)	109,950	76,775
Other payables	3,025	3,561
	411,398	286,163

8. Note payable

	July 31, 2019	July 31, 2018
	$	$
Amounts due to related parties (Note 12)	170,100	170,100

The note payable is unsecured, due on demand and bears no interest.

9. Loans payable

	July 31, 2019	July 31, 2018
	$	$
Promissory notes	121,500	121,500

During the year ended July 31, 2017, the Company issued two promissory notes. The first promissory note, for $60,000, was due August 8, 2017, and bears interest at 18%. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at July 31, 2019 is $33,909 (2018 - $19,509) and is included in accrued liabilities (note 7). As additional consideration for the loan, the Company must issue to the lender $12,000 in common shares of the Company. The shares have not been issued as at July 31, 2019 and are included in share subscriptions (note 10).

The second promissory note, for $16,500, was due September 30, 2017, and bears interest at 18%. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at July 31, 2019, is $8,756 (July 31, 2018 - $4,796) and is included in accrued liabilities (note 7). As additional consideration for the loan, the Company must issue to the lender $3,300 in common shares of the Company, The shares have not been issued as at July 31, 2019 and are included in share subscriptions (note 10).

9. Loans payable – (continued)

During the year ended July 31, 2018, a third and fourth promissory note were issued. The third promissory note for $25,000 was issued on October 10, 2017, bears interest at 18% and was due April 10, 2018. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at July 31, 2019, is $10,101 (July 31, 2018 - $4,101) and is included in accrued liabilities (note 7). As additional consideration for the loan, the Company must issue to the lender $5,000 in common shares of the Company. The shares have not been issued as at July 31, 2019 and are included in share subscriptions (note 10). This amount was recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2018.

The fourth promissory note for $20,000 was issued on November 27, 2017, bears interest at 18% and was due May 27, 2018. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at July 31, 2019, is $7,450 (July 31, 2018 - $2,650) and is included in accrued liabilities (note 7). As additional consideration for the loan, the Company must issue to the lender $4,000 in common shares of the Company. The shares have not been issued as at July 31, 2019 and are included in share subscriptions (note 10). This amount was recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2018.

During the year ended July 31, 2019, the total interest expense incurred was $29,160 (2018 - $25,142) (note 11).

10. Share Capital and Reserves

(a) Authorized

The Company has authorized an unlimited number of voting common shares without par value.

(b) Issued

At July 31, 2019, there were 89,871,661 issued and fully paid common shares (July 31, 2018 – 86,336,661)

Shares Issued during the Year Ended July 31, 2019

On November 28, 2018, the Company completed a non-brokered private placement of 1,000,000 units at a price of $0.05 per unit for gross proceeds of $50,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a total of five years, at a price of $0.05. Using the residual method, $10,000 was attributed to the warrants.

During the year ended July 31, 2019, 500,000 share purchase warrants were exercised at $0.05 for proceeds of $25,000.

During the year ended July 31, 2019, 2,035,000 stock options with an exercise price of $0.05 were exercised for proceeds of $101,750 less a cost of $175.

Shares Issued during the Year Ended July 31, 2018

On March 20, 2018, the Company completed a private placement financing, issuing 1,000,000 units at a price of $0.065 per unit for proceeds of $65,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase an additional common share at a price of $0.085 for a period of 24 months from the date of issue. Using the residual method, no value was attributed to the warrants.

During the year ended July 31, 2018, 550,000 share purchase warrants were exercised at $0.05 for proceeds of $27,500.

10. Share Capital and Reserves – (continued)

During the year ended July 31, 2018, 409,166 stock options with an exercise price of $0.05 were exercised for proceeds of $20,458.

(c) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options have expiry dates of no later than ten years from the date of grant and vest immediately as determined by the Board of Directors or as to 25% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

Year Ended July 31, 2019

On September 17, 2018, the Company issued a total of 500,000 incentive stock options at an exercise price of $0.05 to a consultant of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $22,403 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On October 15, 2018, the Company issued a total of 250,000 incentive stock options at an exercise price of $0.05 to a director of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $9,952 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On January 29, 2019, the Company issued a total of 1,000,000 incentive stock options at an exercise price of $0.05 to consultants of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $54,738 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On May 16, 2019, the Company issued a total of 570,000 incentive stock options at an exercise price of $0.06. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $33,988 determined by the Black-Scholes Option Pricing Model. Of the total, 250,000 optoins vested upon grant. The other 320,000 options vest as 25% every three months from the date of grant. During the year ended July 31, 2019, share-based payments recognized for this grant was $23,122.

On July 8, 2019, the Company issued a total of 250,000 incentive stock options at an exercise price of $0.13 to a director of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $32,282 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On February 4, 2019, 100,000 stock options at an exercise price of $0.05 were forfeited, on February 18, 2019, 100,000 stock options at an exercise price of $0.05 were forfeited and on February 28, 2019, 300,000 stock options at an exercise price of $0.05 were forfeited. On May 6, 2019, 450,000 stock options at an exercise price of $0.05 were forfeited. The fair value of the 950,000 options at $56,992 was reclassified from reserves to deficit.

Year Ended July 31, 2018

On December 3, 2017, the Company issued a total of 950,000 incentive stock options at an exercise price of $0.05 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a grant date fair value of $47,499 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

(Expressed in Canadian Dollars)

10. Share Capital and Reserves – (continued)

(c) Stock Options (continued)

Year Ended July 31, 2018

On March 6, 2018, the Company issued a total of 250,000 incentive stock options at an exercise price of $0.08 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a grant date fair value of $20,000 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On April 27, 2018, the Company issued a total of 250,000 incentive stock options at an exercise price of $0.085 to consultants of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $21,185 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On May 20, 2018, 190,000 stock options at an exercise price of $0.05 were forfeited. The fair value of the options at $95,000 was reclassified from reserves to deficit.

Stock option transactions for the years ended July 31, 2019 and 2018 are as follows:

	Number of Options	Weighted Average Exercise Price
	#	$
Balance, July 31, 2017	5,174,166	0.05
Granted	1,450,000	0.06
Exercised	(409,166)	0.05
Forfeited	(190,000)	0.05
Balance, July 31, 2018	6,025,000	0.06
Granted	2,570,000	0.06
Exercised	(2,035,000)	0.05
Forfeited	(950,000)	0.05
Balance, July 31, 2019	5,610,000	0.06

Stock options outstanding and exercisable at July 31, 2019 are as follows:

Options Outstanding	Exercise Price	Expiry Date	Options Exercisable
#	$		#
177,500	0.05	October 12, 2020	177,500
162,500	0.05	April 26, 2022	162,500
50,000	0.05	January 27, 2024	50,000
780,000	0.05	April 23, 2025	780,000
15,000	0.05	February 23, 2026	15,000
425,000	0.08	July 8, 2026	425,000
50,000	0.05	September 19, 2026	50,000
1,080,000	0.05	December 7, 2026	1,080,000
800,000	0.05	December 3, 2027	800,000
250,000	0.08	March 6, 2028	250,000
250,000	0.085	April 27, 2023	250,000
250,000	0.05	October 15, 2023	250,000
500,000	0.05	January 29, 2024	500,000
570,000	0.06	May 16, 2024	250,000
250,000	0.13	July 8, 2024	250,000
5,610,000			5,290,000

The weighted average remaining contractual life of outstanding options is 6.02 years (2018: 6.93 years).

(Expressed in Canadian Dollars)

10. Share Capital and Reserves – (continued)

(c) Stock Options (continued)

The fair values of stock options granted were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Years ending	July 31, 2019	July 31,2018
Risk free interest rate	2.09%	2.07%
Expected life of options	5 years	9.14 years
Expected stock price volatility	248.92%	265%

(d) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

Year Ended July 31, 2019

On November 28, 2018, 1,000,000 warrants were issued in connection with a private placement. The warrants are exercisable into common shares of the Company at a price of $0.05 per share for a period of 5 years. The warrants were valued at $10,000 using the residual method.

During the year ended July 31, 2019, 500,000 warrants were exercised at a price of $0.05.

Year Ended July 31, 2018

On March 20, 2018, 1,000,000 warrants were issued in connection with a private placement. The warrants are exercisable into common shares of the Company at a price of $0.085 per share for a period of 24 months. The warrants were valued at $nil using the residual method.

During the year ended July 31, 2018, 1,375,000 warrants expired unexercised.

During the year ended July 31, 2018, 550,000 warrants were exercised at a price of $0.05.

Share purchase warrant transactions for the years ended July 31, 2019 and 2018 are as follows:

	Warrants	Expiry Date	Weighted Average Exercise Price
	#		$
Balance, July 31, 2017	1,925,000		0.08
Exercised	(550,000)	July 31, 2018	0.05
Expired	(1,375,000)	July 6 and July 31, 2018	0.095
Granted	1,000,000	March 20, 2020	0.085
Balance, July 31, 2018	1,000,000		0.085
Exercised	(500,000)	November 28, 2023	0.05
Granted	1,000,000	November 28, 2023	0.05
Balance, July 31, 2019	1,500,000		0.073

Warrants outstanding at July 31, 2019 are as follows:

Warrants Outstanding	Exercise Price	Expiry Date
1,000,000	$0.085	March 20, 2020
500,000	$0.05	November 28, 2023

The weighted average remaining contractual life of the warrants outstanding is 1.87 years.

(Expressed in Canadian Dollars)

10. Share Capital and Reserves – (continued)

(e) Reserves

Stock options and warrants reserves represent the fair value of stock options or warrants until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(f) Share subscriptions

Share subscriptions consist of shares to be issued for loans payable (note 9).

11. Finance and other costs

	2019	2018
	$	$
Interest expense (note 9)	29,160	25,142
Loan fees (note 9)	-	9,000
	29,160	34,142

12. Related Party Transactions

(a) Related Party Transactions

The Company has been reimbursed for expenses from companies having directors and officers in common netted directly against the related expense as represented in the statement of comprehensive loss:

	2019	2018
	$	$
Office, rent, and wages	29,159	10,847

(b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its directors, officers, Chief Executive Officer and Chief Financial Officer.

	2019	2018
	$	$
Management fees	90,000	90,000
Salaries and benefits	2,314	9,256
Share-based payments	57,141	51,184
	149,455	150,440

Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 10).

(Expressed in Canadian Dollars)

12. Related Party Transactions – (continued)

(c) Related Party Balances

The following related party amounts were included in accounts payable and accrued liabilities and note payable:

	July 31, 2019	July 31, 2018
	$	$
A company controlled by an officer of the Company (notes 7 and 8)	441,975	353,149

During the year ended July 31, 2019, the Company received a recovery of $Nil (2018 - $30,188) for prior year expenses from a company with a common director.

13. Commitment

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2020, as follows:

2020	$ 33,024

14. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at July 31, 2019 and 2018, with its assets located in North America.

15. Financial Instruments and Risk Management

a) Fair Value of Financial Instruments

As at July 31, 2019, the Company's financial instruments consist of cash, accounts receivable, accounts payable, note payable and loans payable. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market-related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices 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.

Cash is classified as Level 1.

15. Financial Instruments and Risk Management – (continued)

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank and on amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Accounts receivable consists mostly of rent due from sub-lease tenants. Management considers that credit risks related to cash are minimal and credit risks related to accounts receivable are moderate due to the potential of non-payments.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at July 31, 2019, the Company had cash of $48,040 to settle current liabilities of $702,998.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company (note 1).

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loans payable bear a fixed interest rate. Management considers interest rate risk to be minimal.

During the years ended July 31, 2019 and 2018, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

16. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' deficiency as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of resource properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended July 31, 2019.

(Expressed in Canadian Dollars)

17. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended July 31, 2019 and 2018.

	Year Ended July 31, 2019	Year Ended July 31, 2018
	$	$
Loss before income taxes	(411,529)	(340,387)
Statutory Canadian corporate tax rate	27%	27%
Expected income tax recovery	(111,113)	(91,904)
Non-deductibe items	(3,884)	23,945
Effect of change in tax rate	(3,983)	(72,045)
Change in deferred tax asset not recognized	118,980	140,004
Total income tax recovery	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deductible temporary differences at July 31, 2019 and 2018 are comprised of the following:

	July 31, 2019	July 31, 2018
	$	$
Non-capital loss carry forwards	6,282,730	5,849,185
Mineral property	1,540,670	1,540,670
Capital loss carryforwards	796,675	796,675
Financing costs	16,224	24,338
Property and equipment	42,391	41,911
Unrecognized deductible temporary differences	8,678,690	8,252,779

(Expressed in Canadian Dollars)

17. Income Taxes – (continued)

The Company has non capital loss carryforwards of approximately $6,282,730 (2018 - $5,849,185) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Canada
	$
2026	541,818
2027	1,262,892
2028	783,044
2029	476,557
2030	461,849
2031	481,858
2032	275,052
2033	295,677
2034	313,201
2035	-
2036	564,654
2037	293,245
2038	256,217
2039	276,666
	6,282,730

In addition, the Company has available capital losses in Canada of approximately $796,675, which can be carried forward indefinitely.

18. Subsequent Event

On August 12, 2019, the Company issued a total of 350,000 incentive stock options at an exercise price of $0.13 to a consultant of the Company. The options are exercisable for a period of 5 years from the date of grant.

On October 29, 2019, the Company issued 160,000 shares pursuant to warrants exercised at $0.05 per share for proceeds of $8,000.