SBD CAPITAL CORP.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)
(EXPRESSED IN CANADIAN DOLLARS)

Notice of Disclosure of Non-Auditor Review of Unaudited Interim Condensed Consolidated Financial Statements for the Three and Six Months Ended September 30, 2019 and 2018

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the unaudited interim condensed consolidated 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 condensed consolidated financial statements of SBD Capital Corp. (the “Corporation”) for the periods ended September 30, 2019 and September 30, 2018, have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Corporation’s management.

The Corporation’s independent auditors, S&W, LLP, have not performed a review of the unaudited interim condensed consolidated financial statements for the periods ended September 30, 2019 and September 30, 2018 in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity’s auditor.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of SBD Capital Corp. (the “Corporation”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation’s circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

"John Dyer", Director

"Brian Stecyk", Director

Toronto, Ontario
November 26, 2019

SBD CAPITAL CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019 AND MARCH 31, 2019
(Unaudited)
(Expressed in Canadian dollars)

	Note		Sept 30, 2019 (Unaudited)		March 31, 2019 (Audited)
Assets					
Current					
Cash and cash equivalents		**$**	**23,245**	$	4,274
Accounts receivable			**57,521**		54,958
GST/HST receivable			**48,923**		33,891
Inventory	5		**81,742**		96,818
		$	**211,431**	$	189,941
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**284,991**	$	239,044
Loans payable	6		**206,025**		85,125
			491,016		324,169
Shareholders' equity (deficiency)					
Capital stock	7(a)		**35,450,953**		35,450,953
Contributed surplus			**10,860,077**		10,860,077
Deficit			**(46,590,615)**		(46,445,258)
			(279,585)		(134,228)
		$	**211,431**	$	189,941

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the board:

"John Dyer" Director *"Brian Stecyk"* Director

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

SBD CAPITAL CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Unaudited)
(Expressed in Canadian dollars)

		Three months		Six months	
	Note	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Revenue		**$ 7,083**	$ 75,795	**$ 14,434**	$ 104,176
Cost of goods sold		**9,561**	49,678	**15,076**	72,899
Gross margin		**(2,478)**	26,117	**(642)**	**31,277**
EXPENSES					
Bank charges		**637**	695	**656**	953
Consulting fees		**8,318**	34,536	**29,612**	72,745
Management fees		**-**	-	**-**	6,685
Meals & entertainment		**-**	438	**-**	803
Office, general and administrative		**808**	19,366	**6,208**	116,902
Professional fees		**44,180**	530	**52,680**	49,890
Stock-based compensation		**-**	-	**-**	720,830
Transfer agent and filing fees		**54,006**	24,736	**55,559**	29,679
		107,949	80,301	**144,715**	998,487
Loss for the period		**(110,427)**	(54,184)	**$ (145,357)**	$ (967,210)
Weighted average number of common shares outstanding basic and diluted		**24,792,096**	23,545,638	**24,792,096**	23,937,714
Net loss per share - basic and diluted	3	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.04)

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

SBD CAPITAL CORP.
INTERIM CONDENSED CONSOLDIATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 and 2018
(Unaudited)
(Expressed in Canadian dollars)

		Capital Stock		Issuable Capital stock				
	Note	Number of shares	Amount	Number of shares	Amount	Contributed surplus	Deficit	Total
Balance - March 31, 2018		**23,228,971**	**$35,188,725**	**137,500**	**$27,500**	**$9,954,845**	**$ (45,126,176)**	**$ 44,894**
Shares issued for cash		1,000,000	347,500	(137,500)	(27,500)	-	-	320,000
Shares issued on the exercise of warrants		100,000	10,000	-	-	-	-	10,000
Share based compensation		-	-	-	-	720,830	-	720,830
Net loss for the period		-	-	-	-	-	(967,210)	(967,210)
Balance - September 30, 2018		24,328,971	$35,546,225	-	$ -	$ 10,675,675	$ (46,093,386)	$ 128,515
Balance - March 31, 2019		**24,792,096**	**$35,450,953**	**-**	**-**	**$10,860,077**	**$ (46,445,258)**	**$ (134,228)**
Net loss for the period		-	-	-	-	-	(145,357)	(145,357)
Balance - September 30, 2019		**24,792,096**	**$ 35,450,953**	**-**	**$ -**	**$ 10,860,077**	**$ (46,590,615)**	**$ (279,585)**

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

SBD CAPITAL CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 and 2018
(Unaudited)
(Expressed in Canadian dollars)

		2019		2018
Operating activities				
Net loss for the period	$	(145,357)	$	(967,210)
Adjustments not affecting cash:				
Stock based compensation		-		720,830
		(145,357)		(246,380)
Changes in non-cash working capital				
Accounts receivable		(2,563)		(15,605)
Prepaid expense		-		(1,164)
GST/HST receivable		(15,032)		(25,541)
Inventory		15,076		(32,949)
Accounts payable and accrued liabilities		45,947		(50,301)
Net cash used in operating activities		(101,929)		(371,939)
Financing activities				
Issuance of common shares, net of issuance costs		-		320,000
Shares issued on settlement of debt		-		10,000
Advances from related party		-		26,553
Loans payable		120,900		-
Net cash provided by financing activities		120,900		356,553
Net increase (decrease) in cash		18,971		(15,386)
Cash - beginning of period		4,274		33,763
Cash - end of period	$	23,245	$	18,377

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

1. NATURE OF OPERATIONS AND GOING CONCERN

SBD Capital Corp. ("the Company" or "SBD") was incorporated under the Business Corporations Act (Ontario) on May 11, 1979 and was a company with exploration and evaluation assets in Canada. The Company was engaged in acquiring controlling interests in industrial companies it the manufacturing and distribution business sector. The Company's registered office is located at 393 University Avenue, Suite 1810, Toronto, Ontario, M5G 1E6.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from Sept 30 , 2019. These unaudited interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both manage expenditures and to raise additional funds. The Company has negative operating cash flows, has a working capital deficiency at Sept 30, 2019 of $145,357 (March 31, 2019 - $134,228) and an accumulated deficit at Sept 30, 2019 of $46,590,615 (March 31, 2019 - $46,445,258). The Company will continue to search for new or alternate sources of financing in order to continue development of its products but anticipates that the current market conditions may impact the ability to source such funds. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the condensed statement of financial position.

On July 25, 2017, the Company entered into a share exchange agreement with Secret Barrel Distillery Corporation ("Secret Barrel") pursuant to which the Company has acquired from the Secret Barrel shareholders all of the issued and outstanding shares of Secret Barrel in exchange for 2,000,000 common shares in the capital of the Company and a working capital advance to Secret Barrel of $175,000. Secret Barrel is a private company incorporated pursuant to the laws of Alberta. Upon completion of the acquisition, Secret Barrel became a wholly owned subsidiary of the Company, see Note 6.

Upon the acquisition of Secret Barrel, the Company is now engaged in the sale and distribution of alcohol and liquor products.

2. BASIS OF PRESENTATION

Statement of Compliance

(a) These interim condensed consolidated financial statements are unaudited and have been prepared on a condensed basis in accordance with the International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board and interpretations of the International Financial Interpretations Committee using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These unaudited interim condensed financial statements for the six months ended Sept 30, 2019 and 2018 should be read together with the annual financial statements as at and for the year ended March 31, 2019. The same accounting policies and methods of computation were followed in the preparation of these interim condensed financial statements as were followed in the preparation of and as described in note 3 of the annual financial statements as at and for the year ended March 31, 2019.

2. BASIS OF PRESENTATION (Cont'd)

(b) Basis of Measurement

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(a) Application of new International Financial Reporting Standards ("IFRS")

The following standards have been adopted on April 1, 2018:

IFRS 9 *Financial Instruments* ("IFRS 9"): This standard replaced IAS 39 Financial Instruments Recognition and Measurement. This standard sets out revised guidance for classifying and measuring financial assets and liabilities, introduced a new expected credit loss model for calculating impairment of financial assets and includes a reformed approach to hedge accounting. The standard also requires that when a financial liability at amortized is modified or exchanged, and such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss.

Classification and measurement of assets and liabilities

All financial assets are required to be subsequently measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The table below illustrates the classification and measurement of financial assets and financial liabilities under IAS 39 and IFRS 9 on April 1, 2018:

	Original measurement category under IAS 39	New measurement category under IFRS 9
Cash and cash equivalents	Financial assets at fair value through profit and loss ("FVTPL")	Financial assets at FVTPL
Accounts receivable	Loan and receivables at amortized cost	Financial assets at amortized cost
GST/HST receivable	Loan and receivables at amortized cost	Financial assets at amortized cost
Accounts payable and accrued liabilities	Other financial liabilities at amortized cost	Financial liabilities at amortized cost
Loans payable	Other financial liabilities at amortized cost	Financial liabilities at amortized cost

2. BASIS OF PRESENTATION (Cont'd)

(b) Application of new International Financial Reporting Standards ("IFRS") (Cont'd)

There were no financial assets or financial liabilities which the Company previously designated as FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon adoption of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"): Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods and services. In addition, the standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The application of this new standard had no impact on the reported results, specifically with regard to the timing of recognition and classification of revenues. There was no impact on the cash flows from operating activities as a result of adopting this standard.

(c) Functional and Presentation Currency

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency.

(d) Basis of Consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned and controlled operating subsidiaries, Secret Barrel Distillery Inc. The financial statements of its subsidiaries are included in the interim condensed consolidated statements from the date that control commences until the date that control ceases. All significant inter-company transactions and balances have been eliminated on consolidation. All references to the Company should be treated as references to the Company and its subsidiaries.

(e) Critical Accounting Estimates, Judgments, and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions 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. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2. BASIS OF PRESENTATION (Cont'd)

(e) Critical Accounting Estimates, Judgments, and Assumptions (Cont'd)

The significant areas of estimation uncertainty considered by management in preparing the interim condensed consolidated financial statements are as follows:

(i) Net realizable value of inventory:

Net realizable value for inventory is determined based on the selling price of the products in the normal course of operations. The selling price is impacted by several factors including, age and condition of the products, technical obsolescence, and market conditions in the customer's industry. Management estimates the selling price of inventory based on first-hand knowledge of the industry and the specific products held in inventory at year-end. These estimates will affect the carrying value of inventory and the amount of cost of goods sold.

(ii) Allowance for doubtful accounts:

Accounts receivable are reviewed for collectability on a weekly basis. Management is required to make judgment whether a receivable balance is collectable based on their relationship with the counterparty and knowledge of the counterparty's financial position. These judgments will affect the reported amount of accounts receivable as well as bad debts expense.

(iii) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

(iv) Valuation of warrants:

The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value.

2. BASIS OF PRESENTATION (Cont'd)

(e) Critical Accounting Estimates, Judgments, and Assumptions (Cont'd)

The significant areas of judgment considered by management in preparing the interim condensed consolidated financial statements are as follows:

(i) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

Inventory

The Company's inventory consists of saleable bottles of rum liquor. Inventory is valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost method and includes the cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue Recognition

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the completion of services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is derived from the sale of goods and is recognized at a point in time when the performance obligation is fulfilled, the price is fixed and reasonably determinable, and collection of the sales proceeds is reasonably assured. For sales transactions with provincial liquor boards, the Company's performance obligation is fulfilled when the product is shipped from the Company's distribution facilities.

Excise taxes collected on behalf of the provincial government, licensing fees, and levies paid are deducted from the selling price to determine the transaction price at which revenue is recognized.

Product which has passed its expiration date for freshness or has been damaged and is returned by distributors is accepted and destroyed.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share Capital

Common shares and preferred shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise share options and warrants issued by the Company. The outstanding share options and warrants are not included in the diluted net loss per common share as they are anti-dilutive for all periods presented.

Stock-Based Compensation and Other Stock-Based Payments

The Company applies a fair value based method of accounting to all stock-based payments. Accordingly, stock-based payments for employees are measured at the fair value of the equity instruments issued and stock-based payments for non-employees are measured at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the Company measures these transactions by reference to the fair value of the equity instruments granted. Each tranche is considered a separate award with its own vesting period and fair value. Stock-based compensation is charged to the statement of comprehensive loss over the tranche's vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Warrants

For transactions involving the issuance of warrants, the Company measures these transactions at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the Company measures these transactions by reference to the fair value of the equity instruments granted. In the case of unit placements, the proceeds from the issuance of units is allocated between common shares and warrants on a pro-rata basis based on relative fair values. Share issuance costs incurred in connection with the issuance of share capital are netted against the proceeds received.

(Expressed in Canadian dollars)

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

Leases – IFRS 16

IFRS 16, Leases ('IFRS 16"), replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

5. INVENTORY

The major components of inventory are classified as follows:

	Sept 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Finished goods	**$ 81,742**	$ 96,818

6. LOANS PAYABLE

As at Sept 30, 2019, the loans payable balance is $206,025 (March 31, 2019 - $85,125). The loans and advances are non-interest bearing, have no specific terms of repayment.

7. CAPITAL STOCK

(a) **Common shares**
Authorized capital - Unlimited number of common shares
- Unlimited number of special shares
- 500,000 preference shares

(i) On June 6, 2018, 1,000,000 units were issued at $0.32 per unit for gross proceeds of $320,000 in a private non-brokered placement. Each Unit is comprised of one common share (a "Common Share") of the Company and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share for a period of one (1) year from the closing of the Offering at a price of $0.50 per Common Share.

(ii) On October 18, 2018, 463,125 units were issued at a price of $0.32 per Common Share in a private non-brokered placement for gross proceeds of $148,200. Each Unit is comprised of one common share (a "Common Share") of the company and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share for a period of one (1) year from the closing of the Offering at a price of $0.50 per Common Share.

(Expressed in Canadian dollars)

7. CAPITAL STOCK (Cont'd)

(iii) 100,000 shares were issued on the exercise of warrants at a price of $0.10 per unit for gross proceeds of $10,000.

(b) **Stock option plan and share-based compensation**

The Company has a stock option plan (the "Plan") under which it is authorized to grant stock options to acquire common shares to Directors, officers, employees and consultants. The aggregate number of common shares which may be issued and sold under the Plan will not exceed 10% of the aggregate number of common shares issued and outstanding from time to time. The current number of common shares reserved for issuance upon the exercise of options granted pursuant to the Plan is 2,479,209. The number of common shares which may be reserved for issue to any one individual under the Plan within any one year period shall not exceed 5% of the outstanding issue. The Board of Directors shall determine the exercise price of stock options issued, as applicable, based on the market price. The stock options are non-assignable and may be granted for a term not exceeding five years. Stock options issued under the Plan may vest at the discretion of the Board of Directors.

The following table summarizes information concerning the Company's stock options outstanding as at Sept 30, 2019:

Stock Option Transactions	Number	Exercise Price	Weighted Average Exercise Price
Balance at March 31, 2018	-	-	-
Options granted	2,400,000	$0.32	$0.32
Options expired/exercised	-	-	-
Balance at September 30, 2018	2,400,000	$0.32	$0.32
Balance at March 31, 2019	2,400,000	$0.32	$0.32
Options granted	-	-	-
Options expired/exercised	-	-	-
Balance at September 30, 2019	**2,400,000**		**$0.32**
Exercisable at September 30, 2019	**2,400,000**		**$0.32**

Date of Grant	Options Granted	Options Exercisable	Exercise Price	Expiry Date
June 6, 2018	2,400,000	2,400,000	$0.32	June 6, 2021
	2,400,000	**2,400,000**		

The weighted average remaining contractual life of the outstanding options is 1.75 years (March 31, 2019 – 2.74).

(Expressed in Canadian dollars)

7. CAPITAL STOCK (Cont'd)

The fair value of the options issued is determined using the Black-Scholes model for pricing options under the following weighted average assumptions;

	Sept 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Expected dividend yield	**-**	**Nil**
Risk free interest rate	**-**	**1.93%**
Expected volatility	**-**	**234%**
Expected life	**-**	**3 years**
Share price	**-**	**$0.30**

(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the period ended Sept 30, 2019:

	Number	**Weighted-Average Exercise Price**	**Expiry Date**
Balance at March 31, 2018	**20,000,000**	**$0.10**	August 16, 2020
Exercised	**(100,000)**	**$0.10**	August 16, 2020
Granted	**1,000,000**	**$0.50**	June 6, 2019
Balance at September 30, 2018	**20,900,000**	**$0.12**	
Balance at March 31, 2019	**21,363,125**	**$0.19**	
Expired	**(1,000,000)**	**$0.50**	June 6, 2019
Balance at September 30, 2019	**20,363,125**	**$0.19**	

(Expressed in Canadian dollars)

7. CAPITAL STOCK (Cont'd)

Date of Grant	Warrants Granted	Exercise Price	Expiry Date
August 16, 2017	**19,900,000**	**$0.10**	August 16, 2020
April 27, 2018	**463,125**	**$0.50**	October 18, 2019
	20,363,125		

The fair value of the warrants issued is determined using the Black-Scholes model for pricing options under the following weighted average assumptions

	Sept 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Expected dividend yield	-	Nil
Risk free interest rate	-	1.93-2.27%
Expected volatility	-	191-234%
Expected life	-	1.0 years
Share price	-	$0.30-$0.33

Expected volatility is based on historical data.

Basic and diluted loss per common share based on net loss for the periods ended Sept 30;

Numerator:	**Sept 30, 2019**	Sept 30, 2018
Net loss for the period	**$(145,357)**	$(967,210)
Denominator:		
Weighted average number of common shares outstanding - basic	**24,792,096**	23,937,714
Weighted average effect of diluted stock options and warrants	**-**	-
Weighted average number of common shares outstanding - diluted	**24,792,096**	23,937,714
Loss per common share based on net loss for the period:		
Basic	**$ (0.001)**	$(0.04)
Diluted	**$ (0.001)**	$(0.04)

(Expressed in Canadian dollars)

7. CAPITAL STOCK (Cont'd)

Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised as at Sept 30;

	Sept 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Common shares outstanding	**24,792,096**	24,792,096
Warrants to purchase common shares	**20,363,125**	21,363,125
Stock options to purchase common shares	**2,400,000**	2,400,000
Fully diluted common shares outstanding	**47,555,221**	48,555,221

8. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Sept 30, 2019	Sept 30, 2018
Compensation*	**$ 5,000**	$ 6,685

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in consulting fees and management fees.

As at Sept 30, 2019, loans payable consists of $206,025 (March 31, 2019 - $85,125) to directors of the Company. The loans are non-interest bearing and have no specific terms of repayment.

9. FINANCIAL RISK FACTORS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

9. FINANCIAL RISK FACTORS (Cont'd)

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, due from related party, reclamation bonds, accounts payable and accrued liabilities, and amounts due to related parties. The fair value of the Company's receivables, due from related party, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's cash and cash equivalents are recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets or liabilities. The Company's other financial instrument, being reclamation bonds, are measured at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

a) Interest Rate Risk

The Company has cash balances and is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of Sept 30, 2019, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

As at Sept 30, 2019, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars and therefore is not at a significant risk to fluctuating exchange risks.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents.

As at Sept 30, 2019, the Company held cash of $23,245 (March 31, 2019 - $4,274) to settle current liabilities of $491,016 (March 31, 2019 - $324,169). All of the Company's non-provision liabilities are due with the next fiscal year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has reduced its credit risk by investing its cash equivalents with a Canadian chartered bank.

10. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at Sept 30, 2019, the Company's capital stock was $35,450,953 (March 31, 2019 - $35,450,953).

There were no changes in the Company's approach to capital management during the period ended Sept 30, 2019 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;

b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company's capital structure includes components of shareholders' equity.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.