CRUZ COBALT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

July 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cruz Cobalt Corp.

Opinion

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

In our opinion, these consolidated 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 ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a loss of $1,456,898 during the year ended July 31, 2019. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 David Harris.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

November 6, 2019

CRUZ COBALT CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

ASSETS	July 31, 2019	July 31, 2018
Current assets		
Cash and cash equivalents – Note 4	$ 2,062,547	$ 2,807,027
Receivables – Note 5	25,340	35,102
Rent deposit	29,620	-
Prepaid expenses – Note 6	17,772	264,055
Total current assets	2,135,279	3,106,184
Non-current assets		
Rent deposit	-	29,620
Exploration and evaluation assets – Note 7	1,262,324	1,701,097
Total assets	$ 3,397,603	$ 4,836,901
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities – Notes 8 and 12	$ 60,754	$ 43,154
SHAREHOLDERS' EQUITY		
Share capital – Note 10	19,087,872	19,087,872
Reserves – Note 10	1,581,249	1,581,249
Accumulated deficit	(17,332,272)	(15,875,374)
Total shareholders' equity	3,336,849	4,793,747
Total liabilities and shareholders' equity	$ 3,397,603	$ 4,836,901

Nature and Continuance of Operations (Note 1)
Subsequent events (Note 18)

APPROVED BY THE DIRECTORS:

"Seth Kay"	Director	*"James Nelson"*	Director
Seth Kay		James Nelson	

CRUZ COBALT CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years ended July 31, 2019	2018
Operating expenses		
Consulting	$ 88,230	$ 129,625
Corporate branding	31,072	500,832
Investor relations	250,000	200,000
Management and directors' fees – Note 12	125,100	125,000
Office and miscellaneous	81,082	81,832
Professional fees – Note 12	100,803	143,795
Shareholder information	7,118	28,936
Share-based payments – Notes 10 and 12	-	364,182
Transfer agent and filing fees	34,952	35,495
Travel and misc	5,607	14,401
	(723,964)	(1,624,098)
Interest income	32,481	26,599
Other income on settlement of flow-through share premium liability – Note 9	-	48,508
Gain on extinguishment of accounts payable	-	16,660
Write-down of exploration and evaluation assets – Note 7	(765,415)	(456,000)
	(732,934)	(364,233)
Net loss and comprehensive loss for the year	$ (1,456,898)	$ (1,988,331)
Loss per share – basic and diluted – Note 11	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding – basic and diluted – Note 11	78,646,890	72,173,422

CRUZ COBALT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended July 31, 2019	2018
Operating Activities		
Loss for the year	$ (1,456,898)	$ (1,988,331)
Adjustments for non-cash items:		
Other income on settlement of flow-through share premium liability	-	(48,508)
Share-based payments	-	364,182
Gain on extinguishment of accounts payable	-	(16,660)
Write-down of exploration and evaluation assets	765,415	456,000
Changes in non-cash working capital items:		
Receivables	9,762	(9,770)
Prepaid expenses	246,283	(209,590)
Accounts payable and accrued liabilities	6,146	(585,360)
Cash used in operating activities	(429,292)	(2,038,037)
Investing Activities		
Exploration and evaluation assets	(315,188)	(384,745)
Cash used in investing activities	(315,188)	(384,745)
Financing Activities		
Proceeds from issuance of share capital	-	3,356,268
Share issue costs	-	(52,770)
Cash provided by financing activities	-	3,303,498
Change in cash during the year	(744,480)	880,716
Cash, beginning of the year	2,807,027	1,926,311
Cash, end of the year	$ 2,062,547	$ 2,807,027

Supplemental Disclosure with Respect to Cash Flows (Note 17)

CRUZ COBALT CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Share Capital			Accumulated	
	Number of shares	**Amount**	**Reserves**	**Deficit**	**Total**
Balance, July 31, 2017	60,341,046	$ 15,544,490	$ 1,456,951	$ (13,887,043)	$ 3,114,398
Shares issued for private placement	4,619,047	1,000,000	-	-	1,000,000
Share issue costs	-	(52,770)	-	-	(52,770)
Shares purchase warrants exercised	9,686,797	1,556,268	-	-	1,556,268
Stock options exercised	4,000,000	800,000	-	-	800,000
Broker warrants issued for private placement	-	(37,781)	37,781	-	-
Stock options issued	-	-	364,182	-	364,182
Transfer of reserves on options exercised	-	242,788	(242,788)	-	-
Transfer of reserves on warrants exercised	-	34,877	(34,877)	-	-
Loss for the year	-	-	-	(1,988,331)	(1,988,331)
Balance, July 31, 2018	78,646,890	19,087,872	1,581,249	(15,875,374)	4,793,747
Loss for the year	-	-	-	(1,456,898)	(1,456,898)
Balance, July 31, 2019	78,646,890	$ 19,087,872	$ 1,581,249	$ (17,332,272)	$ 3,336,849

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Cruz Cobalt Corp. (the "Company") is an exploration stage public company and was listed on the TSX Venture Exchange ("TSXV"). The Company's principal business activities include acquiring and exploring exploration and evaluation assets. At July 31, 2019, the Company had exploration and evaluation assets located in Canada and the U.S.A.

Subsequent to July 31, 2019, the Company's common shares commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "CRUZ" and the Company delisted its common shares from TSXV.

The Company's head office and principal business address is Suite 1470, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company's registered and records office is located at 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. At July 31, 2019, the Company had not yet achieved profitable operations, incurred a loss of $1,456,898 during the year ended July 31, 2019 and had an accumulated deficit of $17,332,272 since its inception. The Company expects to incur further losses in the development of its business, all of which may cast substantial doubt on the Company's ability to continue as a going concern. The Company may require additional financing in order to conduct the planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. BASIS OF PREPARATION

a) Statement of Compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on November 6, 2019.

2. BASIS OF PREPARATION (continued)

b) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments measured at fair value.

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

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that 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, but are not limited to, the following:

- Whether or not an impairment has occurred in its exploration and evaluation assets;
- The inputs used in the accounting for share-based payments expense; and
- The inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

Judgments

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company, as discussed in Note 1.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

d) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiaries of the Company as of July 31, 2019 are as follows:

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest July 31, 2019	Ownership Interest July 31, 2018
Cobalt Locaters Inc.	Holding company	Canada	100%	100%
Cruz Capital (US) Corp.	Holding company	USA	100%	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

a) Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars, the presentation and functional currency of the Company and its subsidiaries, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the reporting period end date, unsettled monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at that date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Exploration and evaluation assets

Pre-exploration costs

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as incurred.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

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

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

c) Impairment of tangible and intangible assets

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Impairment of tangible and intangible assets (continued)

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

d) Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not have any significant rehabilitation obligations.

e) Financial instruments

Financial Assets

The Company has adopted new accounting standard *IFRS 9 - Financial Instruments*, effective August 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and financial liabilities. This standard replaces *IAS 39 - Financial Instruments: Recognition and Measurement.*

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the new standard retains most of the requirements of IAS 39, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive income rather than in net earnings.

Upon adoption of IFRS 9, the Company has changed its accounting policy for financial instruments as follows:

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL, or FVOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity instruments that are held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 the Company has elected to measure them at FVTPL.

The Company completed an assessment of its financial assets and liabilities as at August 1, 2018. The adoption of IFRS 9 has no quantitative impact on the Company's financial instruments as at August 1, 2018.

However, it has an impact on the classification of the Company's financial instruments compared to the old standard IAS 39 as follows:

Asset or Liability	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Financial assets at amortized cost
These assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized 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 recognized in other comprehensive income and are never reclassified to profit or loss

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Impairment of financial instruments

The Company assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost, and debt investments at FVOCI, the Company applies the expected credit loss impairment model. On adoption of the expected credit loss model there was no material adjustment.

f) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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 not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income taxes (continued)

temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

g) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital.

Upon expenses being renounced and incurred, the Company derecognizes the liability and the premium is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

h) 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 most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement 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, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a warrant reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Investment tax credit

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of loss and comprehensive loss depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

j) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

k) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment, using the Black-Scholes option pricing model.

l) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

IFRS 16 – Leases (“IFRS 16”)

New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The adoption of this new standard is not expected to have a significant impact on the Company's consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are denominated in Canadian Dollars and include the following components:

	July 31, 2019	July 31, 2018
Cash at bank	$ 58,047	$ 32,527
Short-term deposits	2,004,500	2,774,500
	$ 2,062,547	$ 2,807,027

5. RECEIVABLES

The Company's receivables comprise of goods and services tax ("GST") receivable due from Canadian government taxation authorities, accrued interest on short-term deposits, and reimbursements from two public companies with common directors for recoverable office expenses.

	July 31, 2019	July 31, 2018
Related party receivable (Note 12)	$ 1,804	$ 3,512
Accrued interest on short-term deposits	18,025	25,260
GST recoverable	5,511	6,330
Total receivables	$ 25,340	$ 35,102

All amounts are short-term and the net carrying value of receivables is considered a reasonable approximation of fair value. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against receivables. The Company's receivables are all considered current and are not past due or impaired. The Company does not possess any collateral related to these assets.

6. PREPAIDS

The Company's prepaids are comprised of fees prepaid to vendors of the Company and include the following components:

	July 31, 2019	July 31, 2018
Corporate branding	$ 7,500	$ 1,373
Investor relations *	-	250,000
Other prepaids	10,272	12,682
Total prepaids	$ 17,772	$ 264,055

* On December 1, 2017, the Company entered into two consulting agreements with two arm's length entities for them to provide digital marketing, digital media, corporate advisory and branding and strategic business services to the Company over an 18 month period. The Company prepaid the full amount to these two entities. This balance relates to services to be provided over the remaining contract period.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following mineral properties:

	BC War Eagle Cobalt	BC Purcell Cobalt Prospect	ON Cobalt Prospects	Yukon Quartz Claims	Idaho Star Cobalt Prospect	Montana Chicken Hawk Cobalt Prospect	Nevada Clayton Valley W. Lithium Property	Total
Balance, July 31, 2017	$ 13,512	$ 282,032	$ 692,370	$ 16,133	$ 66,377	$ 731,079	$ 34,701	$ 1,836,204
Acquisition costs								
Staking costs	7,283	7,197	60,890	-	-	-	-	75,370
Deferred exploration expenditures								
Geological expenses	2,283	1,217	49,123	-	-	-	-	52,623
Geological report	1,500	1,500	-	-	-	-	-	3,000
Geophysical expenses	-	-	3,300	-	-	-	-	3,300
Claim maintenance fees	-	-	-	210	8,921	18,837	2,603	30,571
Field supplies and equipment	-	-	2,581	-	-	-	-	2,581
Lab and assay	-	-	13,482	-	-	-	-	13,482
Prospecting	-	-	3,313	-	-	-	-	3,313
Sampling	-	-	14,040	-	-	-	-	14,040
Survey	13,500	13,500	117,304	-	-	-	-	144,304
Travel & miscellaneous	1,536	768	16,700	-	-	-	-	19,004
Advance for exploration	-	-	11,413	-	-	-	-	11,413
Prior year advance for exploration	-	-	(52,108)	-	-	-	-	(52,108)
Write-down of exploration and evaluation assets	(19,999)	(306,214)	(2,300)	-	(68,452)	(59,035)	-	(456,000)
Balance, July 31, 2018	19,615	-	930,108	16,343	6,846	690,881	37,304	1,701,097
Deferred exploration expenditures								
Geological expenses	3,000	-	89,756	-	-	-	-	92,756
Geological report	-	-	32,143	-	-	-	-	32,143
Claim maintenance fees	-	-	-	210	832	13,425	2,692	17,159
Drilling	-	-	115,147	-	-	-	-	115,147
Field supplies and equipment	-	-	9,547	-	-	-	-	9,547
Lab and assay	636	-	25,733	-	-	-	-	26,369
Travel & miscellaneous	7,448	-	37,486	-	-	-	-	44,934
Prior year advance for exploration	-	-	(11,413)	-	-	-	-	(11,413)
Write-down of exploration and evaluation assets	(21,109)	-	(40,000)	-	-	(704,306)	-	(765,415)
Balance, July 31, 2019	$ 9,590	$ -	$ 1,188,507	$ 16,553	$ 7,678	$ -	$ 39,996	$ 1,262,324

7. EXPLORATION AND EVALUATION ASSETS (continued)

Title to Interests in Exploration and Evaluation Assets

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

BC War Eagle Cobalt Prospect – Staking

In June 2016, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of $3,496.

In January 2018, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of $7,283.

In October 2018, the Company decided to drop certain War Eagle claims and allowed them to lapse when they became due. Accordingly, prior acquisition costs of $7,283 and exploration costs of $12,716 associated with these lapsed claims were written off as of July 31, 2018.

During the year ended July 31, 2019, the Company decided to further reduce the size of certain War Eagle claims. Accordingly, prior acquisition costs of $2,404 and exploration costs of $18,705 were written off.

As at July 31, 2019, the Company had spent a total of $8,498 in exploration expenditures on this prospect.

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking

On July 22, 2016, the Company entered into a share purchase agreement (the “Cobalt Locaters SPA”) with four arm’s length vendors (the “Vendors”) to purchase 100% of the issued and outstanding shares of Cobalt Locaters Inc., which holds a 100% interest in two cobalt prospects in B.C. (the "Purcell Cobalt Prospect") and a 50% interest in four cobalt prospects in Ontario (the "Coleman Cobalt Prospect", the "Bucke Cobalt Prospect", the "Hector Cobalt Prospect", and the "Johnson Cobalt Prospect"). The acquisition has been accounted for as an asset acquisition. In August 2016, the Company paid $20,000 cash and issued 4,800,000 shares (issued at a value of $816,000) to the Vendors pursuant to the Cobalt Locaters SPA. Cobalt Locaters Inc. became a wholly-owned subsidiary of the Company. The acquisition costs had been split evenly between these six cobalt properties. During the year ended July 31, 2019, the Company acquired the remaining 50% interest in the above four Ontario cobalt prospects from an arm's length vendor at no costs. As of today, the Company holds a 100% interest in the above four Ontario cobalt prospects.

In September 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Johnson Cobalt Prospect, Bucke Cobalt Prospect and Hector Cobalt Prospect for staking costs of $19,500.

7. EXPLORATION AND EVALUATION ASSETS (continued)

BC and ON Cobalt Prospects – Share Purchase Agreement and Staking (continued)

In December 2016, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of $2,300. Subsequent to July 31, 2018, the Company decided to drop these claims. Prior acquisition costs of $2,300 were written off as of July 31, 2018.

In June 2017, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Coleman Cobalt Prospect for staking costs of $1,268.

In December 2017, the Company acquired a 100% interest in certain mineral claims in Ontario referred to as the Lorraine Cobalt Prospect for staking costs of $40,000. Subsequent to July 31, 2019, the Company decided to drop these claims and will allow them to lapse when they become due. Accordingly, prior staking costs of $40,000 were written off as of July 31, 2019.

In January and April 2018, the Company acquired a 100% interest in certain mineral claims in Ontario to increase the holdings in its Lorraine Cobalt Prospect for staking costs of $20,890.

As at July 31, 2019, the Company had spent a total of $589,515 in exploration expenditures on the ON Cobalt Prospects.

Yukon Quartz Claims – Purchase Agreement

During the year ended July 31, 2010, the Company acquired a 100% interest in certain quartz mineral claims located in the Yukon Territory.

During the years ended July 31, 2013, 2015 and 2016, the Company decided not to continue with certain claims and allowed these claims to lapse when they became due. Accordingly, prior acquisition costs of $670,862 and exploration costs of $34,838 associated with these lapsed claims were written off.

As at July 31, 2019, the Company had spent a total of $1,917 in exploration expenditures on the remaining Yukon Quartz claims.

Idaho Star Cobalt Prospect – Staking

In October 2016, the Company acquired a 100% interest in the Idaho Star Cobalt Prospect in Idaho, U.S.A. for staking costs of $39,964.

In August 2018, the Company decided to drop certain Idaho claims and allowed them to lapse when they became due. Prior acquisition costs of $36,330 and exploration costs of $32,122 were written down as of July 31, 2018.

As at July 31, 2019, the Company had spent a total of $4,045 in exploration expenditures on this prospect.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Nevada Clayton Valley West Lithium Prospect – Purchase Agreement

On September 15, 2015, the Company entered into a purchase agreement with an arm's length vendor (the "Vendor") to acquire a 100% interest in certain mineral claims in the Clayton Valley in Nevada, U.S.A. In consideration, the Company was to issue 1,200,000 common shares to the Vendor.

On October 7, 2015, the Company amended the purchase agreement with the Vendor at no additional cost or share issuance, to acquire a 100% interest in additional mineral claims.

On October 21, 2015, the Company further amended the purchase agreement and the amendment dated October 7, 2015 with the Vender. The new terms are for the Company to issue 900,000 common shares to the Vendor. During the year ended July 31, 2016, these shares were issued to the Vendor valued at $30,000.

As of July 31, 2019, the Company had incurred a total of $7,996 in claim maintenance fees on this prospect.

Montana Chicken Hawk Cobalt Prospect – Agreement and Staking

On February 27, 2017, the Company entered into an agreement with an arm's length vendor (the "Montana Vendor") to acquire a 100% interest in the Chicken Hawk Cobalt Prospect located in Deer Lodge County, Montana, U.S.A. In consideration, the Company issued 3,000,000 common shares (issued at a value of $600,000) to the Montana Vendor.

In July 2017, the Company acquired a 100% interest in certain mineral claims in Montana to increase the holdings in its Chicken Hawk Cobalt Prospect for staking costs of $25,426.

In August 2018, the Company decided to drop certain Montana Chicken Hawk claims and allowed them to lapse when they became due. Prior acquisition costs of $24,578 and exploration costs of $34,457 were written down as of July 31, 2018.

Subsequent to July 31, 2019, the Company decided to drop the entire Chicken Hawk property. Accordingly, prior acquisition costs of $600,848 and exploration costs of $103,458 were written off as of July 31, 2019.

BC Purcell Cobalt Prospect – Staking

Under the Cobalt Locaters SPA, the Company indirectly acquired a 100% interest in two cobalt prospects in B.C..

In January 2018, the Company acquired a 100% interest in certain mineral claims in British Columbia for staking costs of $7,197.

In October 2018, the Company decided to drop the entire property. Prior acquisition costs of $285,863 and exploration costs of $20,351 were written off as of July 31, 2018.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities recognized in the statement of financial position can be analyzed as follows:

	July 31, 2019	July 31, 2018
Trade payables	$ 38,154	$ 18,654
Accrued liabilities	22,600	24,500
Total accounts payable and accrued liabilities	$ 60,754	$ 43,154

All amounts are short-term. The carrying value of trade payables and accrued liabilities is considered a reasonable approximation of fair value due to the short-term nature of these instruments.

9. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance at July 31, 2017	$	48,508
Liability derecognized due to exploration expenditures renounced to shareholders		(48,508)
Balance at July 31, 2018 and 2019	$	-

During the year ended July 31, 2018, the Company renounced and incurred the exploration expenditures. Accordingly, the Company derecognized the flow-through share premium liability of $48,508 and recognized it as other income.

10. SHARE CAPITAL AND RESERVES

Authorized: An unlimited number of common shares, without par value

(a) Private placements

Year ended July 31, 2019:

The Company did not close any private placements during the year ended July 31, 2019.

Year ended July 31, 2018:

In August 2017, the Company closed a non-brokered private placement (the "Offering") consisting of 2,619,047 flow-through shares at $0.21 per share for gross proceeds of $550,000. The Company incurred filing fees of $4,100 and legal fees of $7,170, paid an aggregate finders' fees of $38,500, and issued 183,333 broker warrants (the "Broker Warrants") in connection with the Offering. Each Broker Warrant is exercisable at $0.21 per share into one common share until August 11, 2020. The Broker Warrants were valued at $37,781, using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, expected volatility 270.8%, risk-free interest rate 1.24% and an expected life of three years.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

(a) Private placements (continued)

In December 2017, the Company closed a non-brokered private placement consisting of 2,000,000 units at $0.225 per share for gross proceeds of $450,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of the Company at a price of $0.30 per share until December 22, 2019. The Company incurred filing fees of $3,000 in connection with the financing.

(b) Share purchase warrants

The following is a summary of changes in share purchase warrants from July 31, 2017 to July 31, 2019:

	Number	Weighted Average Exercise Price
Balance, July 31, 2017	25,477,587	$0.22
Issued	2,183,333	$0.29
Exercised	(9,686,797)	$0.16
Expired	(802,275)	$1.33
Balance, July 31, 2018 and 2019	17,171,848	$0.20

At July 31, 2019, the Company had 17,171,848 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date	
3,711,645	$0.15	August 24, 2019	(Note 18)
1,081,620	$0.17	August 24, 2019	(Note 18)
5,690,250	$0.33	December 18, 2019	
2,000,000	$0.30	December 22, 2019	
183,333	$0.21	August 11, 2020	
4,505,000	$0.05	June 13, 2021	
17,171,848			

(c) Share-based payments

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of grant. The exercise price of each option granted under the plan may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount, subject to a minimum exercise price of $0.05. Options may be granted for a maximum term of five years and vesting periods are determined by the Board of Directors. Pursuant to the regulations of the CSE, stock options may be granted outside of the stock option plan.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

(c) Share-based payments (continued)

The following is a summary of changes in share purchase options from July 31, 2017 to July 31, 2019:

	Number	Weighted Average Exercise Price
Outstanding and exercisable, July 31, 2017	4,334,125	$0.28
Granted	6,000,000	$0.20
Exercised	(4,000,000)	$0.20
Expired	(4,004,350)	$0.25
Outstanding and exercisable, July 31, 2018	2,329,775	$0.27
Expired	(2,329,775)	$0.27
Outstanding and exercisable, July 31, 2019	-	$Nil

At July 31, 2019, there was no share purchase options outstanding and exercisable.

During the year ended July 31, 2019, Nil stock options were exercised.

During the year ended July 31, 2018, 4,000,000 stock options were exercised at a price of $0.20 per share for total proceeds of $800,000. The previously recognized share-based payment expense relating to these stock options were reclassified from share-based payment reserve to share capital in the amount of $242,788.

During the year ended July 31, 2019, the Company did not grant any stock options (year ended July 31, 2018, 6,000,000 stock options were granted with an exercise price at $0.20 per share and an expiry date of November 9, 2018). The weighted average fair value of the options issued in the year ended July 31, 2018 was estimated at $0.06 per option at the grant date using the Black-Scholes option pricing model with the following assumptions:

	Year ended July 31, 2019	Year ended July 31, 2018
Weighted average expected dividend yield	N/A	0.0%
Weighted average expected volatility *	N/A	81.05%
Weighted average risk-free interest rate	N/A	1.53%
Weighted average expected term	N/A	1 year

* Expected volatility has been based on historical volatility of the Company's publicly traded shares.

Total expenses arising from share-based payment transactions recognized during the year ended July 31, 2019 were $Nil (year ended July 31, 2018: $364,182).

(Expressed in Canadian Dollars)

11. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following data:

	Years ended July 31, 2019	Years ended July 31, 2018
Loss	$ (1,456,898)	$ (1,988,331)
Weighted average number of common shares for the purpose of basic and diluted loss per share	78,646,890	72,173,422

Basic loss per share is computed by dividing loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants currently issued (see Note 10) were anti-dilutive for the years ended July 31, 2019 and 2018.

Basic and diluted loss per share for the year ended July 31, 2019 was $0.02 (year ended July 31, 2018: $0.03).

12. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management of the Company are directors and officers of the Company and their remuneration includes the following:

	Years ended July 31, 2019	Years ended July 31, 2018
Management and directors' fees	$ 125,100	$ 125,000
Professional fees	66,800	60,000
Share-based payments *	-	9,752
	$ 191,900	$ 194,752

* Share-based payments are the fair value of options granted to key management personnel as at the grant date.

Related party balances

At July 31, 2019, accounts payable and accrued liabilities include $8,167 (July 31, 2018: $7,500) payable to three directors for unpaid office and directors' fees. These amounts are unsecured, non-interest bearing and payable on demand.

At July 31, 2019, related party receivables include $1,804 (July 31, 2018: $3,512) due from two public companies with common directors for recoverable office expenses.

(Expressed in Canadian Dollars)

13. SEGMENTAL REPORTING

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's exploration and evaluation assets are distributed by geographic location as follows:

	July 31, 2019	July 31, 2018
Canada	$ 1,214,650	$ 966,066
U.S.A.	47,674	735,031
	$ 1,262,324	$ 1,701,097

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Years ended July 31, 2019	2018
Loss before income taxes	$ (1,456,898)	$ (1, 988,331)
Expected income tax (recovery)	$ (393,000)	$ (529,000)
Change in statutory rate and other	43,000	(146,000)
Permanent difference	1,000	98,000
Impact of flow through shares	84,000	58,000
Share issue costs	-	(14,000)
Adjustment to prior year provision versus statutory tax returns	13,000	307,000
Change in unrecognized deductible temporary differences	252,000	226,000
Total income tax expense (recovery)	$ -	$ -

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

	2019	2018
Exploration and evaluation assets	$ 1,450,000	$ 1,168,000
Property and equipment	3,000	3,000
Share issue costs	20,000	30,000
Capital assets	-	20,000
Non-capital losses	2,290,000	2,092,000
Net unrecognized deferred tax assets	$ 3,763,000	$ 3,079,000

No net deferred tax asset has been recognized in respect of the above for the years ended July 31, 2019 and 2018 because the amount of future taxable profit that will be available to realize such assets is not probable.

14. INCOME TAXES (continued)

The Company has non-capital losses for Canadian income tax purposes of approximately $8,472,000 (2018: $7,879,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2039.

15. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, which at July 31, 2019 was $3,336,849 (July 31, 2018: $4,793,747).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt and acquire or dispose of assets. As at July 31, 2019, the Company has not entered into any debt financing with any financial institution.

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

16. FINANCIAL INSTRUMENTS AND RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value 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 that are not based on observable market data.

The fair value of the Company's receivables, and accounts payable and accrued liabilities approximates their carrying values due to the short-term nature of the financial instruments. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs.

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

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2019, the Company has a minimal exposure to the US$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

16. FINANCIAL INSTRUMENTS AND RISK (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents, and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at July 31, 2019, the Company is not exposed to any significant credit risk.

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 has non-interest bearing debt instruments and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2019, the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk and price risk

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows. The following transactions were excluded from the statements of cash flows:

Year ended July 31, 2019:

a) Included in accounts payable and accrued liabilities was $11,454 for exploration and evaluation assets.

Year ended July 31, 2018:

b) There were no significant non-cash investing and financing activities.

18. SUBSEQUENT EVENTS

Subsequent to July 31, 2019, the following occurred:

a) 3,711,645 share purchase warrants at an exercise price of $0.15 expired unexercised; and

b) 1,081,620 share purchase warrants at an exercise price of $0.17 expired unexercised.