Phoenix Gold Resources Corp.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PHOENIX GOLD RESOURCES CORP.

(An exploration stage company)
(Formerly Zuri Capital Corp.)

For the three and six months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

Phoenix Gold Resources Corp.

Condensed Interim Consolidated Financial Statements
For the three and six months ended July 31, 2019 and 2018

Notice of No Auditor Review of Interim Consolidated Financial Statements

The accompanying condensed interim consolidated financial statements have been prepared by management and approved by the Board.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		July 31, 2019 (Unaudited)		January 31, 2019 (Audited)
ASSETS				
Current Assets				
Cash	$	-	$	19
Other receivables		52,788		43,220
		52,788		43,239
Mineral Rights (note 4)		210,000		200,000
Total Assets	$	262,788	$	243,239
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	956,571	$	770,884
Advances from related company (note 5)		351,403		349,776
Total Liabilities	$	1,307,974	$	1,120,660
SHAREHOLDERS' DEFICIENCY				
Share Capital (note 6)	$	1,904,350	$	1,904,350
Share-based Payment Reserve (note 6)		276,807		276,807
Warrants Reserve (note 6)		-		-
Deficit		(3,226,343)		(3,058,578)
Total Shareholders' Deficiency		(1,045,186)		(877,421)
Total Liabilities and Shareholders' Deficiency	$	262,788	$	243,239

Commitments and Contractual Arrangements (note 7)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Paul Jones"
Director

"Andrew Lee"
Director

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

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended July 31, 2019	Three months ended July 31, 2018	Six months ended July 31, 2019	Six months ended July 31, 2018
Revenue	**$ -**	**$ -**	**$ -**	**$ -**
Expenses				
Professional fees	66,555	-	142,889	-
Filing fees	11,250	-	23,051	5,200
Office and administration	-	473	2,814	1,281
Foreign exchange loss (gain)	(6,972)	4,011	(989)	15,545
Net Loss and Comprehensive Loss	**$ 70,833**	**$ 4,484**	**$ 167,765**	**$ 22,026**
Weighted Average Number of Shares Outstanding	5,038,986	5,038,986	5,038,986	5,038,986
Earnings (Loss) per Share - Basic and Diluted	$ (0.01)	$ (0.00)	$ (0.03)	$ (0.00)

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

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)
(Unaudited)

	Number of Shares	Common Shares	Share-based Payment Reserve	Warrants Reserve	Deficit	Shareholders' Equity (Deficiency)
Balance – January 31, 2018	**5,038,986**	**$ 1,904,350**	**$ 276,807**	**$ -**	**$ (2,815,868)**	**$ (634,711)**
Loss for the period	-	-	-	-	(22,026)	(22,026)
Balance – July 31, 2018	**5,038,986**	**$ 1,904,350**	**$ 276,807**	**$ -**	**$ (2,837,894)**	**$ (656,737)**
Balance – January 31, 2019	**5,038,986**	**$ 1,904,350**	**$ 276,807**	**$ -**	**$ (3,058,578)**	**$ (877,421)**
Loss for the period	-	-	-	-	(167,765)	(167,765)
Balance – July 31, 2019	**5,038,986**	**$ 1,904,350**	**$ 276,807**	**$ -**	**$ (3,226,343)**	**$ (1,045,186)**

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

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

		Six months ended July 31, 2019		Six months ended July 31, 2018
Operating Activities:				
Net loss for the period	$	(167,765)	$	(22,026)
Changes in non-cash working capital items:				
Other receivables		(9,568)		(2,535)
Prepaid expense		-		-
Accounts payable and accrued liabilities		185,687		(12,868)
Net Cash Provided by (Used in) Operating Activities		8,354		(37,429)
Investing Activities:				
Additions in mineral rights		(10,000)		-
Net Cash Used in Operating Activities		(10,000)		-
Financing Activities:				
Advances from related company		1,627		37,429
Net Cash Provided by Financing Activities		1,627		37,429
Net changes in cash		(19)		-
Cash - beginning of period		19		19
Cash - end of period	$	-	$	19

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

1. Nature and Continuance of Operations

Phoenix Gold Resources Corp. (formerly Zuri Capital Corp. (“Zuri”)) was incorporated on May 2, 2011 under the laws of the province of British Columbia, Canada. Zuri commenced trading on the TSX Venture Exchange as a Capital Pool Company on March 19, 2012. On April 23, 2014, Zuri was acquired by Phoenix Gold Resources Ltd. (“Phoenix”) in a reverse takeover transaction and as a result Zuri carries on the business of Phoenix and continues pursuant to the laws of British Columbia. Hereafter Phoenix and the combined business of Phoenix and Zuri after the date of the RTO are referred to as the “Company” or “PXA”. These consolidated financial statements reflect the financial position, operating results and cash flows of the Company’s legal subsidiary, Phoenix. Effective April 23, 2014, Zuri changed its name to Phoenix Gold Resources Corp. and resumed trading on April 25, 2014 on the TSX Venture Exchange with the trading symbol “PXA”. The Company’s registered address is Suite 700 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

The Company is a TSX Venture Exchange (“Exchange”) tier 2 listed mineral exploration and development company with its principal business focusing on the acquisition and exploration of the gold mineral rights located in Nevada, USA.

2. Going Concern

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company’s long term continuance is dependent on obtaining sufficient external financing (predominantly through the issuance of equity to the public). To date, the Company has not generated any revenue from operations and is considered to be in the exploration stage. As at July 31, 2019, the Company has an accumulated deficit of $3,226,343 (January 31, 2019 – $3,058,578), and has incurred a net loss of $167,765 (July 31, 2018 – $22,026) for the six months then ended and negative working capital of $1,255,186 (January 31, 2019 – $1,077,421).These condensed interim consolidated financial statements do not reflect adjustments to the carrying value of assets, liabilities, the reported expenses and financial position classifications used that might be necessary if the going concern assumption were not appropriate.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

a) Statement of compliance to IFRS

These condensed interim consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as at September 24, 2019 the date the Board of Directors approved these condensed interim consolidated financial statements for issue.

b) Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the years ended January 31, 2019 and 2018.

These condensed interim consolidated financial statements include the accounts of Phoenix Gold Resources Corp. and its wholly-owned subsidiaries, Phoenix and Phoenix USA. All intercompany transactions, balances, and unrealized gains and losses on intercompany transactions have been eliminated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of loss and comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

c) Functional currency translation

i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the reporting parent's and Phoenix's functional currency. The functional currency of the reporting parent's subsidiary, Phoenix USA, is the United States dollar ("USD").

3. Significant Accounting Policies (cont'd)

c) Functional currency translation (cont'd)

The financial statements of entities that have a functional currency different from that of the reporting parent's operations are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position, and income and expenses – at the average rate for the period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of loss and comprehensive loss.

d) Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgements made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

Significant areas requiring the use of estimates and assumptions include accounts payable and accrued liabilities, valuation of share-based payment reserves, warrant reserves, valuation of mineral rights, and recoverability of deferred tax assets. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the financial statements of future period could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in loss in the periods in which they become known.

3. Significant Accounting Policies (Cont'd)

e) Significant accounting judgements

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 3(d)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral rights, determining the smallest group of assets that generates independent cash flow, the interpretation and application of tax laws, the determination of functional currency for the Company and its subsidiaries, and the assumption that the Company will continue as a going concern.

f) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which supersedes IAS 39 – Financial Instruments: Recognition and Measurement. Application of the Standard is mandatory and it establishes principles for the financial reporting of financial assets and financial liabilities in the Company's consolidated financial statements. Upon adoption of IFRS 9, the Company completed an assessment of the impact of adopting IFRS 9 and determined that no adjustments to the consolidated financial statements are required as a result of adopting IFRS 9.

The Company classified its financial instruments as follows:

Financial Statement Item:	Classification:	Measurement:
Cash	Amortized Cost	Amortized Cost
Other receivable	Amortized Cost	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost	Amortized Cost
Advances from related parties	Amortized Cost	Amortized Cost

The Company does not have any held-to-maturity investments or available-for sales financial assets.

3. Significant Accounting Policies (Cont'd)

f) Financial instruments (Cont'd)

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs that are unadjusted quoted prices of identical instruments in active markets.

- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 – inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

Transaction costs for financial liabilities classified as amortized costs are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as interest expense. Gains and losses on financial instruments classified as Fair Value through Profit or Loss are included in net earnings in the period in which they arise.

g) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. An impairment loss on an available for sale financial asset or fair value through profit or loss financial asset is calculated by reference to its fair value. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. The amount of the impairment is recognized in net loss.

Impairment losses on financial assets carried at amortized cost may be reversed in subsequent periods if the amount of the loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized. Financial assets measured at amortized cost and available for sale financial assets that are debt securities are reversed through profit and loss. For available for sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

3. Significant Accounting Policies (Cont'd)

h) Revenue recognition

Revenue will be recorded when consideration is received or receivable and will be recognized to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

Interest income will be recognized as it accrues.

i) Comprehensive income or loss

Other comprehensive income or loss is the change in equity of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive loss in its statement of loss and other comprehensive loss and its statement of changes in deficiency.

j) Taxes

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

Current tax

Current tax is the expected tax payable 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

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

3. Significant Accounting Policies (Cont'd)

j) Taxes (Cont'd)

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

k) Non-monetary transactions

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

l) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculations as the effect would be anti-dilutive.

m) Identifiable intangible assets

The Company is in the exploration stage and defers all expenditures related to its acquired mineral rights until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

i) Pre-Exploration

Pre-exploration costs in areas where a legal right to explore has not been obtained are expensed as incurred.

3. Significant Accounting Policies (Cont'd)

m) Identifiable intangible assets (Cont'd)

ii) Exploration and evaluation expenditures

Exploration and evaluation ('E&E') costs incurred after the legal right to explore is obtained, but before technical feasibility and commercial viability of the project has been demonstrated are capitalized as E&E assets. These include the costs of acquiring the licenses and directly attributable general and administrative costs. All applicable costs are capitalized as either tangible or intangible E&E assets depending on the nature of the assets acquired. The costs are accumulated in cost centers by exploration area.

iii) Development and production costs

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all E&E costs attributable to that area are reclassified to construction in progress within property, plant and equipment or as intangible assets depending on the nature of the expenditure. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method following the commencement of production.

n) Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether an impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

A CGU recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

3. Significant Accounting Policies (Cont'd)

n) Impairment of non-financial assets (Cont'd)

Industry specific indicators for an impairment review on mineral rights and capitalized exploration related expenditures arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

o) Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant, other site preparation work, and water and soil management, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value of the liability. These costs are charged against profit or loss over the economic life of the related assets, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as at July 31, 2019.

3. Significant Accounting Policies (Cont'd)

p) Share-based payments

The Company from time to time may issue shares or options to its directors, officers, consultants and employees. The Company values share-based payments using the fair-value method of the services provided. For stock options issued to its directors, officers, consultants and employees where the value of the services provided cannot be determined or the options are provided for services already provided to the Company, the Company values stock-based compensation by reference to the fair value of the stock options issued, utilizing the Black-Scholes option pricing model. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase to share-based payment reserve.

Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as share-based payment reserve. An individual is classified as an employee when they are an employee for legal purposes, or primarily performing services similar to the services that would be provided by a legal employee.

q) New accounting standards and recent pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IAS 1, PRESENTATION OF FINANCIAL STATEMENTS

An amendment to IAS 1, Presentation of Financial Statements ("IAS 1"), effective for annual periods beginning on or after January 1, 2020 clarifies the definition of "material" to align the definition used in the Conceptual Framework developed by the IASB and with all other accounting standards. Under the amendment, information is defined as "material" if, "omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The Company is currently evaluating the impact that the new and amended standards will have on its consolidated financial statements and expects no material impact upon applying the amendments to IAS 1.

4. Mineral Rights

On July 9, 2013, Phoenix issued 500,000 common shares to Americas Gold Exploration Inc. ("AGEI"), at $0.10 per share in order to acquire a 50% right, title and interest to the Plumas Property and 100,000 common shares to William Matlack ("Matlack") at $0.10 per share as consideration for a 20-year renewable lease entered into for the remaining 50% right, title and interest to the Plumas Property. Matlack has the option to convert the lease payments into a 1% net smelter return royalty on the property and the Company has the right to buy back this option by paying Matlack $1,314,800 (US$1,000,000).

The Plumas Property consists of two patented lode mining claims with extra lateral rights (40 acres) and one patented mill site claim (8.5 acres) situated in Battle Mountain, Lander County, Nevada, USA.

Phoenix acquired a 50% right, title and interest to the Eldorado Property for a total payment of $140,942 (US $105,000) and in consideration of Phoenix assuming all of the obligations of AGEI.

The Eldorado Property consists of one patented lode mining claim (20 acres) named Eldorado situated in Battle Mountain, Lander County, Nevada, USA.

The cumulative costs incurred on the Company's mineral rights are as follows:

	July 31, 2019 $	January 31, 2019 $
Opening balance	200,000	400,000
Incurred during the year	10,000	-
Impairment charges recognized during the year	-	(200,000)
Closing balance	**210,000**	**200,000**

5. Advances from Related Company

As of July 31, 2019, the Company had advances from related company, which is owned and controlled by a director of the Company, in the amount of $351,403 (January 31, 2019 – $349,776). The advances are non-interest bearing, unsecured, and have no fixed term of repayment.

6. Share Capital

During the six months ended July 31, 2019, the Company approved the consolidation of all issued and outstanding common shares of the Company on the basis of one post-consolidation common share for every seven pre-consolidation common shares. The common shares of the Company began trading on a consolidation-adjusted basis on the TSX Venture Exchange when the market opened on April 3, 2019.

All share data and equity-based instruments have been retroactively adjusted to give effect to the consolidation.

a) *Authorized*
Unlimited number of common shares.

IFRS 2 recommends that an entity shall measure any equity-settled share-based payment transactions directly at the fair value of the goods or services received. The Company issued warrants and options as part of the private placements and compensation payments to agents and brokers. The Company determined that the fair value of services received is not reliably measurable because the warrants attached to these transactions are not from the result of any services purchased by the Company. Also, fair value of services from agents and brokers are not reliably determinable because there is no similar open market for the services they provide, and the compensation is not based on a fixed market rate, but rather subject to negotiation by management. Lastly, it is common for exploration stage companies to provide share-based compensation as part of its equity and debt transactions in addition to a cash component. As such management determined that the fair value of warrants rather than the fair value of services received should be used to determine the fair value of share-based transactions.

b) *Issued and outstanding*
Issued common shares are as follows:

	Number of shares	Amount
Balance – January 31, 2017	**5,038,986**	**$ 1,453,992**
Subscription warrants expiry d) (i)	-	337,305
Subscription warrants expiry d) (ii)	-	68,983
Subscription warrants expiry d) (iii)	-	44,070
Balance – January 31, 2018, 2019 and July 31, 2019	**5,038,986**	**$ 1,904,350**

6. Share Capital (Cont'd)

c) *Stock options and share-based payment*

As at July 31, 2019, the Company had 264,286 (January 31, 2019 – 264,286) stock options outstanding. The following table summarizes information about stock options outstanding as at July 31, 2019:

	Number	Weighted average exercise price
Balance – January 31, 2017	**451,786**	**$ 0.70**
Agent's options expired on April 23, 2017 (i)	(40,000)	0.70
Stock options forfeited (ii)	(85,714)	0.70
Stock options forfeited (iii)	(61,786)	0.70
Balance – January 31, 2018, 2019 and July 31, 2019	**264,286**	**$ 0.70**

(i) 40,000 Agent's options originally issued on April 23, 2014 expired on April 23, 2017.
(ii) 85,714 stock options originally issued on May 1, 2014 were forfeited during the year ended January 31, 2018 as the consultant ceased to provide services to the Company.
(iii) 61,786 stock options originally issued on August 22, 2014 were forfeited during the year ended January 31, 2018 as the consultants ceased to provide services to the Company.

d) *Warrant Reserve*

The following is a summary of the changes in the Company's warrants during the periods:

	Exercise price	Number	Amount
Balance – January 31, 2017		**1,377,786**	**$ 450,358**
Subscription warrants expired on April 23, 2017 (i)	$ 0.70	(1,110,286)	(337,305)
Subscription warrants expired on August 21, 2017 (ii)	$ 1.40	(146,429)	(68,983)
Subscription warrants expired on August 28, 2017 (iii)	$ 1.40	(121,071)	(44,070)
Balance – January 31, 2018, 2019 and July 31, 2019		**-**	**$ -**

(i) 1,110,286 subscription warrants originally issued on April 23, 2014 expired on April 23, 2017.
(ii) 146,429 subscription warrants originally issued on August 21, 2014 expired on August 21, 2017.
(iii) 121,071 subscription warrants originally issued on August 28, 2014 expired on August 28, 2017.

7. Commitments and Contractual Arrangements

As at July 31, 2019, the Company had the following contractual arrangements and commitments in place for the provision of certain services:

a) As part of the letter of agreement entered into with AGEI and Matlack on July 9, 2013 and as amended on October 29, 2013, December 16, 2013, January 21, 2014, and February 21, 2014 for the acquisition of certain patented mineral claims in Nevada, comprised of the Eldorado Property, the Plumas Property (collectively, the "Phoenix Gold Properties"), the Company has the following commitment:

   (i) As part of the lease of the Plumas Property describe in note 4, the Company is required to make annual payments of $46,018 (US$35,000) on each anniversary date of April 23, 2014 for a period of 20 years. Future minimum lease payments are as follows:

2020	$ 46,018
2021	46,018
2022	46,018
2023	46,018
2024	46,018
Thereafter	690,270
Total	$ 920,360

The Company is currently in default of the Plumas Lease for failure to pay the 2015, 2016, 2017, 2018, and 2019 payment amounts under the terms of the lease and if the Company remains in default, Matlack may terminate the lease resulting in a loss of a 50% leasehold interest in the Plumas Property. The Company currently does not have sufficient funds to allocate for lease payments under the Plumas Lease.

b) On April 13, 2019, the Company entered into a binding letter of intent with Fox Automotive Switzerland AG ("Fox"), pursuant to which the Company will acquire all issued and outstanding shares in the capital of Fox, subject to approval of the shareholders of the Company and the TSXV (the "Fox Transaction"). Pursuant to the Fox Transaction the Company and Fox will enter into a plan of arrangement, amalgamation or similar business combination whereby:

   (i) the Company will consolidate all of its issued and outstanding share capital on a 3-to-1 basis, and change its name to "Fox Automotive International Corp." (or such other name as determined by Fox) (the "RTO Consolidation");

7. Commitments and Contractual Arrangements (Cont'd)

(ii) the Company may spin off its mineral property interests comprised of gold mineral exploration properties in the Battle Mountain Mining District in Nevada (the "Phoenix Properties") by way of plan of arrangement, amalgamation, or other such transaction steps (as determined by the Company to be advantageous from a corporate and tax perspective, based on advice from its legal, tax and financial advisors) wherein the Phoenix Properties will be transferred to a wholly owned subsidiary of the Company ("New Phoenix") and the shareholders of the Company will receive common shares of New Phoenix on the basis of one common share of New Phoenix for every one post-RTO Consolidation common share of the Company held by the shareholders, and New Phoenix will be thereby be spun-out as a second reporting issuer, and will have the same shareholders as the Company and will own the Phoenix Properties (the "Spin-Off"), and New Phoenix intends to seek a listing on public Canadian stock exchange, but this is not a condition of the RTO (as defined below) and there is no assurance that such listing will be completed upon completion of the RTO or at all; and

(iii) After the Spin-Off, Fox will complete a reverse takeover (the "RTO") of the Company by way of a plan of arrangement, amalgamation, or similar business combination whereby the Company will acquire all of the issued and outstanding share capital of Fox in exchange for common shares of the Company on the basis of 300 post-RTO Consolidation common shares of the Company for every 1 Fox share, representing an aggregate of 37,500,000 post-RTO Consolidation common shares of the Company (the "Consideration Shares") issuable to the shareholders of Fox in connection with the Fox Transaction (including post-RTO Consolidation common shares of the Company reserved for issuance to holders of outstanding options or warrants of Fox). Upon completion of the Fox Transaction, the Company will become the resulting issuer (the "Resulting Issuer") of the RTO and Fox will become a wholly-owned subsidiary of the Resulting Issuer.

In connection with the Fox Transaction, and subject to approval of the TSXV, the Company will, together with Fox, complete a concurrent equity financing of a minimum of $3,000,000 to a maximum of $9,000,000 at a price of $1.78 per post-Consolidation common share of the Company (the "Concurrent Financing").

The completion of the Fox Transaction and the Spin-Off is subject to a number of conditions, including but not limited to: (i) the RTO Consolidation of all of the Company's outstanding common shares; (ii) the Company and Fox negotiating a definitive agreement in respect of the Fox Transaction; (iii) the Company securing financing so that the Company will have sufficient working capital for the parties under Fox Transaction and under the policies of the TSXV; (iv) the Company securing other financing, including the Concurrent Financing, to satisfy other requirements of the TSXV for the Resulting Issuer; (v) approval of the shareholders of the Company; and (vi) approval of the TSXV.

8. Capital Management

As at July 31, 2019, the capital structure of the Company consists of equity attributable to common shareholders and includes share capital of $1,904,350 (January 31, 2019 - $1,904,350), share-based payment reserve of $276,807 (January 31, 2019 - $276,807), warrant reserve of $nil (January 31, 2019 - $nil), and deficit of $3,226,343 (January 31, 2019 - $3,058,578).

The Company's objective when managing capital structure is to ensure sufficient financial resources exist to meet the Company's strategic exploration and business development objectives, and to ensure that the Company continues as a going concern.

9. Segmented Information

The Company operates in one reportable segment. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

10. Financial Instruments

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

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

The Company's financial assets and liabilities at fair value through profit or loss, consisting of cash and short-term investment, are classified as level 1.

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

Fair value
As at July 31, 2019, the Company's financial instruments consist of other receivables, accounts payable and accrued liabilities. These financial instruments are classified as loans and receivables or other financial liabilities and are carried at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

10. Financial Instruments (Cont'd)

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company takes steps to ensure that it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations.

The Company intends to issue equity to ensure the Company has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs.

Credit risk
Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company has credit risk with its other receivable, but it is considered to be minimal. There is no allowance for doubtful accounts recorded as at July 31, 2019.

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

(i) Interest rate risk
The Company is not exposed to the risk that the value of financial instruments will change due to movement in market interest rates.

(ii) Currency risk
Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has a portion of its accounts payable and accrued liabilities, and advances from related company in US Dollars and Australian Dollars.

(iii) Commodity price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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 commodity prices, particularly as they relate to base metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

11. Subsequent Events

On August 21, 2019, 264,286 stock options originally issued on August 22, 2014 expired unexercised.