GO METALS CORP.

(Formerly known as Go Cobalt Mining Corp.)

Consolidated Financial Statements

For the Year Ended July 31, 2019

(Expressed in Canadian dollars)

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Adam Kim

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Go Metals Corp. (formerly Go Cobalt Mining Corp.)

Opinion
I have audited the consolidated financial statements of Go Metals Corp. (formerly Go Cobalt Mining Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and July 31, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion
I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of consolidated the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $834,215 during the year ended July 31, 2019 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $3,907,405 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I 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 IFRSs, 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
My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I are required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Kim, CPA, CA.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Unit# 168 – 4300 North Fraser Way
Burnaby, BC, Canada V5J 5J8
November 21, 2019

GO METALS CORP.

(Formerly known as Go Cobalt Mining Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	July 31, 2019 $	July 31, 2018 $
Assets		
Current Assets		
Cash and cash equivalents	507,512	868,674
GST and other receivables	13,436	16,355
Prepaid expenses	22,373	-
Due from related parties (Note 9)	10,408	-
	553,729	885,029
Mineral properties (Note 5)	237,000	563,000
	790,729	1,448,029
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	36,433	92,323
Due to related parties (Note 9)	311	60,125
Notes payable (Note 6)	35,123	35,123
Flow-through premium liability (Note 8)	17,514	-
	89,381	187,571
Shareholders' Equity		
Share capital (Note 8)	3,940,462	3,677,574
Contributed surplus	668,291	413,574
Deficit	(3,907,405)	(2,830,690)
	701,348	1,260,458
	790,729	1,448,029

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 14)

Approved by the Board of Directors on November 21, 2019:

"Scott Sheldon"	*"Donald Sheldon"*
Scott Sheldon, Director & CEO	Donald Sheldon, Director

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

GO METALS CORP.
(Formerly known as Go Cobalt Mining Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended July 31, 2019 $	Year ended July 31, 2018 $
Exploration Expenses (Notes 5 and 9)	216,398	238,141
Administrative Expenses		
Audit and accounting	42,270	42,932
Consulting fees	116,858	355,000
General and administrative	98,196	30,500
Interest (Notes 6 and 7)	-	11,263
Legal (Note 9)	63,975	127,969
Management fees (Note 9)	120,115	102,000
Marketing	100,434	-
Stock-based compensation (Note 8)	170,909	266,482
Transfer agent, filing and stock exchange fees	33,473	30,064
Travel	34,627	71,833
	(997,255)	(1,276,184)
Other Income (Expenses)		
Gain on Option Agreement (Note 5)	342,500	427,500
Loss on settlement of debts (Note 8)	-	(64,285)
Write-off of mineral properties (Note 5)	(190,000)	-
Loss before income tax	(844,755)	(912,969)
Income tax		
Deferred income tax recovery (Note 13)	10,540	-
Net loss and comprehensive loss for the year	(834,215)	(912,969)
Loss per share, basic and diluted	(0.01)	(0.02)
Weighted average shares outstanding	60,915,421	43,952,533

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

GO METALS CORP.

(Formerly known as Go Cobalt Mining Corp.)
Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital						
	Common Shares	Amount $	Preferred Shares	Amount $	Contributed Surplus $	Deficit $	Total $
Balance, at July 31, 2017	27,150,516	1,367,412	10,595,258	-	185,787	(1,590,221)	(37,022)
Distribution of K2 shares to the shareholders (Note 5)	-	-	-	-	-	(327,500)	(327,500)
Private placement	14,000,000	1,300,000	-	-	-	-	1,300,000
Shares issued for finders' fee	1,200,000	144,000	-	-	-	-	144,000
Share issue costs	-	(144,000)	-	-	-	-	(144,000)
Shares issued for property	6,820,000	453,000	-	-	-	-	453,000
Shares issued for debt settlement	2,857,140	364,285	-	-	-	-	364,285
Shares issued for conversion of convertible promissory notes	6,576,000	192,877	-	-	(38,695)	-	154,182
Stock-based compensation	-	-	-	-	266,482	-	266,482
Net loss for the year	-	-	-	-	-	(912,969)	(912,969)
Balance, at July 31, 2018	58,603,656	3,677,574	10,595,258	-	413,574	(2,830,690)	1,260,458
Distribution of K2 shares to the shareholders (Note 5)	-	-	-	-	-	(242,500)	(242,500)
Private placement	1,777,777	401,387	-	-	98,613	-	500,000
Flow-through premium	-	(28,054)	-	-	-	-	(28,054)
Share issue costs	-	(48,708)	-	-	8,708	-	(40,000)
Plan of arrangement (Note 4)	-	(326,000)	-	-	-	-	(326,000)
Shares issued for warrants exercised	850,000	63,750	-	-	-	-	63,750
Shares issued for options exercised	300,000	50,513	-	-	(23,513)	-	27,000
Shares issued for property	500,000	150,000	-	-	-	-	150,000
Stock-based compensation	-	-	-	-	170,909	-	170,909
Net loss for the year	-	-	-	-	-	(834,215)	(834,215)
Balance, at July 31, 2019	62,031,433	3,940,462	10,595,258	-	668,291	(3,907,405)	701,348

GO METALS CORP.
(Formerly known as Go Cobalt Mining Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended July 31, 2019 $	Year ended July 31, 2018 $
Cash provided by (used in):		
Operating activities		
Net loss for the year	(834,215)	(912,969)
Adjustments for non-cash items		
Interest accrual on promissory note (Notes 5 and 6)	-	11,263
Gain on Option Agreement (Note 5)	(342,500)	(427,500)
Loss on settlement of debts (Note 7)	-	64,285
Income tax	(10,540)	-
Stock-based compensation (Note 8)	170,909	266,482
Write-off of mineral properties (Note 5)	190,000	-
Changes in non-cash operating working capital:		
GST recoverable	2,919	(11,889)
Prepaid expenses	(22,373)	-
Accounts payable and accrued liabilities	(55,890)	343,880
Due to related parties	(70,222)	37,450
	(971,912)	(628,998)
Investing activities		
Option payments made	(40,000)	(110,000)
Option payments received	100,000	100,000
	60,000	(10,000)
Financing activities		
Issue of shares	590,750	1,300,000
Share issue costs	(40,000)	-
	550,750	1,300,000
Increase (Decrease) in cash	(361,162)	661,002
Cash, beginning of year	868,674	207,672
Cash, end of year	507,512	868,674
Supplemental information		
Interest paid	-	-
Taxes paid	-	-
Significant non-cash financing and investing activities		
Shares issued for property	150,000	453,000
Shares issued for debt settlement	-	364,285
Shares issued for conversion of convertible promissory notes	-	154,182
Shares issued for finders fees	-	144,000
Warrants issued for finders fees	8,708	-

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

1. Nature of Operations and Continuance of Business

Go Metals Corp. (formerly Go Cobalt Mining Corp.) ("Go Metals" or the "Company") was incorporated on April 27, 2012 in Canada with limited liability under the legislation of the Province of British Columbia. The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "GOCO" and its registered office is located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada. The Company changed its name to Go Metals Corp. on July 8, 2019.

The Company is an exploration stage company and is in the process of exploring its mineral properties in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at July 31, 2019, the Company has not generated any revenues from operations and has an accumulated deficit of $3,907,405. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

2. Basis of Presentation

(a) Statement of Compliance

These consolidated financial statements, including comparatives, 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").

2. Basis of Presentation (continued)

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

(c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements. These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

(d) Subsidiaries

These consolidated financial statements include the financial statements of the Company and the wholly-owned subsidiary, Shiraz Petroleum Corporation (formerly Hella Resources Corp.) from the date of incorporation on November 17, 2014. Shiraz Petroleum Corporation is a dormant/inactive company.

3. Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash within three months.

(b) Mineral Properties

Recognition and Measurement

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees and advance royalty payments.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

3. Significant Accounting Policies (continued)

(b) Mineral Properties (continued)

The Company may occasionally enter into option-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would otherwise be undertaken by the Company.

The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted as a gain on disposal.

(c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(d) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

3. Significant Accounting Policies (continued)

(d) Income Taxes (continued)

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

(e) Financial Instruments

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

3. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Debt instruments
Subsequent measurement of debt instrument depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of loss and comprehensive loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from deficit to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and comprehensive loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

3. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of loss and comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(f) Loss Per Share

Basic earnings or loss per share is computed by dividing the earnings or loss for the period by the weighted average number of common shares outstanding during the relevant period. The treasury stock method is used for the calculation of diluted earnings or loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

(g) Comprehensive Income

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the balance sheet.

(h) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

3. Significant Accounting Policies (continued)

(i) Flow-through placements

The issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the premium paid for the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability account using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability. Upon expenses being incurred, the liability component is derecognized in the statement of loss and a deferred income tax liability is recognized for the taxable temporary difference created at the Company's applicable tax rate which is expected to apply in the year the deferred income tax liability will be settled. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the statement of loss.

The Company may also be subject to 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.

(j) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of mineral properties</u>
Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

3. Significant Accounting Policies (continued)

(k) Critical Accounting Judgments and Estimates (continued)

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

(l) Change in Accounting Policies

IFRS 9 *Financial Instruments* (“IFRS 9”) is part of the IASB's wider project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of IFRS 9 did not have a material impact on the Company’s consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted. The adoption of IFRS 15 did not have a material impact on the Company’s consolidated financial statements.

3. Significant Accounting Policies (continued)

(m) New Accounting Standards

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The following standard will be effective for annual periods beginning on or after January 1, 2019:

In June 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

4. Plan of Arrangement

Pursuant to an agreement dated July 16, 2018, shareholders of the Company approved an arrangement agreement (the "Arrangement") whereby the Company would transfer its New Brenda property to Flow Metals Corp. ("Flow Metals") in exchange for 9,767,234 common shares of Flow Metals based on one Flow Metals common share being issued for every six issued and outstanding common shares of the Company. As a step in the Arrangement, the Company distributed the Flow Metals common shares to its registered shareholders by way of a return of paid-up capital. On September 10, 2018, the B.C. Supreme Court approved the Arrangement effective for September 17, 2018. On September 17, 2018, Flow Metals issued 9,767,234 common shares to shareholders of the Company and the New Brenda property of $326,000 was transferred to Flow Metals under the terms of the Arrangement.

(Expressed in Canadian dollars)

5. Mineral Properties

The Company's mineral property interests are comprised of the following properties:

	New Brenda	Monster	Barachois Vanadium	Total
Balance, at July 31, 2017	$ -	$ -	$ -	$ -
Additions	326,000	237,000	-	563,000
Balance, at July 31, 2018	326,000	237,000	-	563,000
Additions	-	-	190,000	190,000
Plan of Arrangement (Note 4)	(326,000)	-	-	(326,000)
Write-off	-	-	(190,000)	(190,000)
Balance, at July 31, 2019	$ -	$ 237,000	$ -	$ 237,000

During the year ended July 31, 2019, the Company incurred exploration expenditures as follows:

Exploration and related expenditures

	New Brenda	Monster	Nickel Palladium Platinum	Other	Total
Assays	$ -	$ 3,760	$ -	$ -	$ 3,760
Claim staking / maintenance	-	2,610	740	13,090	16,440
General administration	-	-	-	1,049	1,049
Geological	9,524	58,148	-	10,483	78,155
Geophysical survey	-	50,830	6,029	-	56,859
Land administration	-	-	-	1,107	1,107
Transportation / travel	1,900	93,063	-	4,065	99,028
Recovery of expenses	-	(40,000)	-	-	(40,000)
Total mineral property expenditures	$ 11,424	$ 168,411	$ 6,769	$ 29,794	$ 216,398

During the year ended July 31, 2018, the Company incurred exploration expenditures as follows:

Exploration and related expenditures

	New Brenda	Monster	Total
Assays	$ 21,092	$ -	$ 21,092
Claim staking / maintenance	-	5,325	5,325
Geological	70,771	138,913	209,684
Geophysical survey	2,040	-	2,040
Total mineral property expenditures	$ 93,903	$ 144,238	$ 238,141

5. Mineral Properties (continued)

Wels Property, Yukon Territory, Canada

Pursuant to an option agreement dated June 6, 2011, Gorilla Resources Corp. was granted an option to acquire a 100% interest in the Wels property located in Whitehorse, Yukon Territory, Canada. On April 23, 2012, Gorilla Resources Corp. assigned all the benefits, rights and obligations under the option agreement to the Company. The property consists of 136 unpatented mining claims and is subject to a 3% Net Smelter Returns ("NSR") in favour of the optionor. The Company has the right to buy back the NSR for a cash payment of $750,000 for each 1%, to a maximum of $1,500,000, at any time. To maintain and exercise the option, the Company must:

- Make cash payments of $15,900 upon signing (paid by Gorilla Resources Corp.);
- Make cash payments of $15,450 upon the completion of a National Instrument 43-101 technical report (paid by Gorilla Resources Corp.);
- Issue 30,000 common shares on the sixth month anniversary (issued by Gorilla Resources Corp.);
- Make cash payments of $25,000 and issue 20,000 common shares on or before September 30, 2012 (subsequently extended to make a cash payment of $10,000 by October 31, 2012 and $15,000 by January 31, 2013) (paid/issued by the Company);
- Make payments of $40,000 on or before September 30, 2013, payable in cash, common shares, or a combination of cash and common shares (subsequently amended to payment of $20,000 in cash on or before February 28, 2014 pursuant to a payment extension agreement dated November 19, 2013) (paid by the Company);
- Issue 20,000 common shares on or before 14 days from the date of a payment extension agreement dated November 19, 2013 pursuant to a payment extension agreement dated November 19, 2013 (issued on November 21, 2013);

- Make payments of $80,000 on or before September 30, 2014, payable in cash, common shares, or a combination of cash and common shares (amended to payment of $40,000 in cash on October 16, 2014 and $40,000 issued in shares on October 24, 2014) (paid/issued by the Company).

On November 12, 2013, the Company granted to Enfield Resources an option to acquire a 100% undivided right, title and interest in certain mineral claims of the Wels property ("Wels Nickel Project"). The Company was entitled to receive a royalty interest equal to 5% of NSR. Enfield Resources was entitled to redeem the entitlement of the Company to its share of NSR by paying $1,500,000 to the Company for each 1% so redeemed, to a maximum of $7,500,000. In order to the option and to earn the interests in the Wels Nickel Project, Enfield was to make the following payments in cash to the Company:

- $10,000 on or before November 12, 2013 (received);
- $15,000 within 5 days of CSE Listing (received);
- $2,500 on or before May 1, 2014 (received);
- $80,000 on or before September 30, 2014 (Enfield defaulted on payment. The option agreement was terminated on October 30, 2014); and
- $80,000 on or before September 30, 2015.

5. Mineral Properties (continued)

Wels Property, Yukon Territory, Canada (continued)

On January 7, 2014, the Company entered into an Option and Joint Venture Agreement with First Ferro whereby the Company granted First Ferro an option to acquire a 40% undivided beneficial interest in certain mineral claims of the Wels property ("Wels Gold Project") by making the following payments:

- $7,500 on execution of the Arrangement Agreement (received);
- $10,500 within 5 days of the CSE Listing (received);
- $100,000 on or before June 30, 2014 (First Ferro defaulted on payment, Option Agreement was terminated on August 31, 2014);
- $100,000 on or before December 31, 2014;
- $100,000 on or before June 30, 2015; and
- $100,000 on or before December 31, 2015.

On August 11, 2016, the Company entered into an Option to Joint Venture Agreement (the "Option Agreement") with West Melville Metals Inc. ("WMM", later changed its name to K2 Gold Corporation ("K2")). Pursuant to the Option Agreement, the Company agreed to grant to K2 the sole and exclusive right and option to acquire an undivided 90% interest in the Wels property and other assets, as defined in the Option Agreement, subject to 3% NSR royalty on the minerals produced from the property, and upon the exercise of such option, the parties have agreed to form a joint venture (the "Option").

In order to exercise the Option, WMM must:

(a) pay to the Company:

(i) $50,000, within five Business Days after the date of TSX Venture Exchange ("TSX-V")'s acceptance of the Option Agreement (received);
(ii) an additional $100,000 on or before the date that is 30 days after the date of the Option Agreement (received);
(iii) an additional $100,000 on or before the date that is 12 months after the date of the Option Agreement (received);
(iv) an additional $50,000 on or before the date that is 24 months after the date of the Option Agreement (received); and
(v) an additional $50,000 on or before the date that is 27 months after the date of the Option Agreement (received)

for total cash payments in aggregate of $350,000;

5. Mineral Properties (continued)

Wels Property, Yukon Territory, Canada (continued)

(b) issue and deliver to the Company:

(i) 500,000 K2 shares within five Business Days after the date of TSX-V's acceptance of the Option Agreement (received, valued at $150,000);
(ii) an additional 500,000 K2 shares on or before the date that is 6 months after the date of the Option Agreement (received, valued at $260,000);
(iii) an additional 500,000 K2 shares on or before the date that is 12 months after the date of the Option Agreement (received, valued at $205,000);
(iv) an additional 500,000 K2 shares on or before the date that is 18 months after the date of the Option Agreement (received, valued at $122,500);
(v) an additional 500,000 K2 shares on or before the date that is 24 months after the date of the Option Agreement (received, valued at $115,000); and
(vi) an additional 500,000 K2 shares on or before the date that is 30 months after the date of the Option Agreement (received, valued at 127,500)

for a total issuance in aggregate of 3,000,000 K2 shares. The Company is to distribute its K2 shares to the Company's shareholders as soon as is reasonably practicable following the receipt of any such shares from K2 (Note 8).

New Brenda Property, British Columbia, Canada

On August 14, 2017, the Company acquired the New Brenda Property with a cash payment of $65,000 (paid) and 5,220,000 common shares of the Company valued at $261,000 (issued). The New Brenda Property is comprised of 15 contiguous mineral claims located in South Central British Columbia in the traditional territory of the West Bank First Nation.

On September 17, 2018, the Company and Flow Metals Corp. ("Flow Metals") closed a statutory plan of arrangement to spin-out the Company's New Brenda Property to Flow Metals (Note 4).

Monster Property, Yukon Territory, Canada

During the year ended July 31, 2018, the Company acquired a 100% interest in a cobalt property located in the Yukon (the "Monster Property"). For consideration, the Company is required to make a cash payment of $45,000 (paid) and issue 1,600,000 common shares valued at $192,000 (issued).

Barachois Vanadium Property, Quebec, Canada

On November 2, 2018, the Company signed an option agreement with Contigo Resources Ltd. ("Contigo") to acquire a 100% interest in the Barachois Vanadium Property located in Gaspe Peninsula, Quebec. For consideration, the Company is required to make cash payment of $40,000 (paid), issue 500,000 common shares of the Company within 10 days of the closing date (issued, valued at $150,000) and issue 500,000 common shares of the Company on or before 12 months from the closing date. Upon completion of these payments, the Company will earn a 100% interest in the property subject to a 2% NSR royalty retained by Contigo. At any time, the Company shall have the option to acquire one-half of the 2% NSR by paying $1,500,000 to Contigo. During the year ended July 31, 2019, the Company recognized a write-off of $190,000 as a result of terminating the option agreement (Note 14).

5. Mineral Properties (continued)

Nickel Palladium Platinum Property, Quebec, Canada

In February 2019, the Company acquired a 40 claim 2000 Ha nickel-copper-platinum group elements project located about 100km north of Havre-Saint-Pierre in Quebec, Canada.

6. Notes Payable

During the year ended July 31, 2014, the Company received loan proceeds of $40,365 from directors and companies owned by directors of the Company. During the year ended July 31, 2014, the Company repaid $7,567. The notes payable was accounted for at amortized cost using the effective interest rate method with the effective interest rate of 12% per annum. During the year ended July 31, 2014, the debt discount of $4,290 was credited to contributed surplus, debited to notes payable and amortized over the term of the notes.

During the year ended July 31, 2015, the Company received additional loan proceeds of $22,500 from directors and companies owned by directors of the Company. On March 31, 2015, the Company entered into two loan agreements with companies owned by directors of the Company in the amounts of $35,000 and $10,000, respectively (the “Loans”). The Loans replaced the notes payable, in the same amounts, that were previous owed to related parties. The Loans bears 5% interest, are unsecured, and are due on March 31, 2017. The Loans were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 12% per annum. During the year ended July 31, 2015, the debt discount of $5,539 was credited to contributed surplus, debited to notes payable and amortized over the term of the notes.

On March 31, 2015, the Company entered into a convertible promissory note agreement with a company controlled by a director of the Company to convert $50,000 of the note into a convertible promissory note (Note 7).

7. Convertible Promissory Notes Payable

On March 31, 2015, the Company entered into various convertible promissory note agreements for a total principal amount of $150,000 (the “Convertible Notes”). Total proceeds of $50,000 was received from a third party, $50,000 note payable was converted by a company controlled by a director of the Company (Note 6), and $50,000 amount due to related party was converted by a company controlled owned by the President of the Company (Note 9).

The Convertible Notes bear 5% interest, are unsecured, and are due on March 31, 2017. At any time prior to the maturity date, the lenders may convert all or any part of the principal amount into shares of the Company at a price of $0.075 per share. At the date of issue, the debt portion of the convertible Notes was recorded at its fair value of $131,538, assuming a fair value of interest rate for comparable debt of 12% per annum. The equity component, which is the fair value attributed to the conversion feature, had a carrying value of $18,462, being the difference between the face amount and the fair value of the debt. The carrying value of the equity component was recorded as a separate component of shareholders’ equity. Subsequent to initial recognition, the debt has been amortized over the term of the debt using the effective interest rate method at discount rate of 12%.

7. Convertible Promissory Notes Payable (continued)

On March 1, 2017, the Company amended and replaced the Convertible Notes with new convertible promissory note agreements for a total principal amount of $164,381 (the "Amended Convertible Notes') which included accrued interest up to March 1, 2017. The Amended Convertible Notes bear 5% interest, are unsecured, and are due on February 28, 2019. At any time prior to the maturity date, the lenders may convert all or any part of the principal amount into shares of the Company at a price of $0.025 per share. At the date of issue, the debt portion of the convertible Notes was recorded at its fair value of $144,148, assuming a fair value of interest rate for comparable debt of 12% per annum. The equity component, which is the fair value attributed to the conversion feature, had a carrying value of $20,233, being the difference between the face amount and the fair value of the debt. The carrying value of the equity component was recorded as a separate component of shareholders' equity. Subsequent to initial recognition, the debt has been amortized over the term of the debt using the effective interest rate method at discount rate of 12%.

On March 15, 2018, the Company issued 6,576,000 common shares related to the conversion of convertible promissory notes in the principal amount of $164,381 (Note 8).

During the year ended July 31, 2019, the Company accrued an interest and accretion expense of $Nil (2018 - $11,263) related to the Convertible Notes and the Amended Convertible Notes.

8. Share Capital

(a) Authorized

Unlimited number of common shares without par value.

On May 29, 2017, the Company held its annual and special shareholders' meeting and approved the creation of an unlimited number of Class A Preferred Shares with a par value of $0.001.

On March 26, 2018, the Company split its common shares on the basis of two common shares for each existing common share held. All number of shares and per share amounts have been retroactively restated in these consolidated financial statements to reflect this share split.

8. Share Capital (continued)

(b) Share transactions for the year ended July 31, 2019 and 2018:

On December 20 2018, the Company closed a non-brokered flow-through financing of 1,111,111 National Units issued at a price of $0.27 per National Unit for gross proceeds of $300,000. Each National Unit consisted of one flow-through common share and one non-flow-through share purchase warrant. Every two warrants entitles the holder thereof to purchase one common share of the Company at a price of $0.40 per common share until December 20, 2020. In addition, the Company closed a non-brokered flow-through financing of 666,666 Quebec Units issued at a price of $0.30 per Quebec Unit for gross proceeds of $200,000. Each Quebec Unit consisted of one flow-through common share and one non-flow-through share purchase warrant. Every two warrants entitles the holder thereof to purchase one common share of the Company at a price of $0.40 per common share until December 20, 2020. The fair value of the warrants was $98,613 calculated using the Black-Scholes Pricing Model using the following assumptions: expected life – 2 years; expected volatility – 131%; expected dividend yield – 0%; and risk-free rate – 1.90%. The Company paid finders' fees of $40,000 in cash and issued 142,222 finders' warrants. Every two finders' warrants entitles the holder thereof to purchase one common share of the Company at a price of $0.30 per common share until December 20, 2020. The fair value of the finders' warrants was $8,708 calculated using the Black-Scholes Pricing Model using the following assumptions: expected life – 2 years; expected volatility – 131%; expected dividend yield – 0%; and risk-free rate – 1.90%. The flow-through liability associated with these issuances using the residual method was $28,054. The Company recognized flow-through premium liability of $10,540 on incurred expenditures as deferred income tax recovery during the year ended July 31, 2019.

On November 12, 2018, the Company issued 500,000 common shares of the Company valued at $150,000 related to the acquisition of the Barachois Vanadium Property.

On November 6, 2018, the Company issued 250,000 common shares for proceeds of $18,750 as a result of the exercise of 250,000 warrants with an exercise price of $0.075.

In November 2018, the Company issued 300,000 common shares for proceeds of $27,000 as a result of the exercise of 300,000 stock options with an exercise price of $0.09.

In October 2018, the Company issued 600,000 common shares for proceeds of $45,000 related to the exercise of 600,000 warrants with an exercise price of $0.075.

On June 20, 2018, the Company formally declared a dividend in specie on the outstanding Preferred Shares totalling 1,000,000 K2 shares (Note 5).

On March 15, 2018, the Company issued 6,576,000 common shares related to the conversion of convertible promissory notes in the principal amount of $164,381 (Note 7).

(Expressed in Canadian dollars)

8. Share Capital (continued)

On February 23, 2018, the Company completed a debt settlement agreement with three consultants with respect to outstanding debt totalling $300,000. Under the terms of settlement, the Company issued 2,857,140 common shares valued at $364,285. The common shares are subject to a prescribed four month restricted trading period until July 3, 2018. The common shares issued resulted in a loss of $64,285.

On February 13, 2018, the Company acquired the Monster Property with a payment of 1,600,000 common shares of the Company valued at $192,000.

On February 12, 2018, the Company closed a non-brokered private placement of 12,000,000 units issued at a price of $0.10 per unit for gross proceeds of $1,200,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at a price of $0.15 per common share until February 11, 2020. Finders fees of 1,200,000 common shares valued at $144,000 were paid to two individual finders in connection with the transaction.

On December 27, 2017, the Company closed a non-brokered financing of 2,000,000 units at $0.05 per unit for gross proceeds of $100,000. Each unit consists of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to acquire an additional common share of the Company at a price of $0.075 per share for a period of two years.

On August 14, 2017, the Company acquired the New Brenda Property with a payment of 5,220,000 common shares of the Company valued at $261,000.

(c) Warrants

	Year ended July 31, 2019			Year ended July 31, 2018		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Opening	**19,960,000**	**$**	**0.120**	5,960,000	$	0.075
Granted	**959,999**		**0.393**	14,000,000		0.139
Exercised	**(850,000)**		**0.075**	-		-
Ending	**20,069,999**	**$**	**0.135**	19,960,000	$	0.120

(Expressed in Canadian dollars)

8. Share Capital (continued)

(c) Warrants (continued)

As at July 31, 2019, the Company had the following warrants outstanding:

Number of warrants	Exercise price	Expiry date
5,710,000*	$0.075	July 28, 2021
1,400,000*	$0.075	July 28, 2021
12,000,000**	$0.150	February 11, 2022
888,888	$0.400	December 20, 2020
71,111	$0.300	December 20, 2020

* During the year ended July 31, 2019, the Company extended the expiry date of 5,710,000 warrants due on July 28, 2019 and 1,400,000 warrants due on December 22, 2019 to July 28, 2021

** Subsequent to the year ended July 31, 2019, the Company extended the expiry date of 12,000,000 warrants due on February 11, 2020 to February 11, 2022 (Note 14)

(d) Stock options

	Year ended July 31, 2019			Year Ended July 31, 2018		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Opening	**3,400,000**	**$**	**0.09**	-	$	-
Granted	**1,000,000**		**0.20**	3,400,000		0.09
Exercised	**(300,000)**		**0.09**	-		-
Ending	**4,100,000**	**$**	**0.12**	3,400,000	$	0.09
Exercisable	**4,100,000**	**$**	**0.12**	3,400,000	$	0.09

As at July 31, 2019, the Company had the following stock options outstanding:

Number of stock options	Exercise price	Expiry date
3,100,000	$0.09	January 23, 2023
1,000,000	$0.20	January 9, 2024

The stock options granted during the year ended July 31, 2019 were valued at $170,909 using the Black-Scholes Option Pricing Model, using the following assumptions:

Grant date	Expected life	Volatility	Dividend yield	Risk-free interest rate
January 10, 2019	5 years	131%	0%	1.91%

(Expressed in Canadian dollars)

8. Share Capital (continued)

(d) Stock options (continued)

The stock options granted during the year ended July 31, 2018 were valued at $266,482 using the Black-Scholes Option Pricing Model, using the following assumptions:

Grant date	Expected life	Volatility	Dividend yield	Risk-free interest rate
January 23, 2018	5 years	148%	0%	1.64%

9. Related Party Transactions

During the year ended July 31, 2019, the Company incurred $93,632 (2018: $90,000) in management fees from a company owned by the President of the Company, $15,168 (2018: $29,000) in consulting fees included in exploration expenses from a company owned by a Director of the Company, $10,513 (2018: $108,006) in legal fees from a company owned by the Corporate Secretary of the Company and $85,455 (2018: $Nil) in stock-based compensation for stock options granted to officers and directors of the Company.

At July 31, 2019, the Company owed $311 (2018: $60,125) to the President, directors and their companies and had $35,123 (2018: $35,123) of notes payable (Note 6) to directors and their companies.

At July 31, 2019, the Company had a receivable of $10,408 (2018: $Nil) from Flow Metals, a company with certain management and directors in common. This amount is non-interest bearing, unsecured and repayable on demand.

Refer to Notes 6 and 7 for related party transactions.

10. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	July 31, 2019 $
Financial assets, measured at amortized cost:	
Cash	507,512
Due from related parties	10,408
	517,920
Financial liabilities, measured at amortized cost:	
Accounts payable	36,433
Due to related parties	311
Notes payable	35,123
	71,867

10. Financial Instruments (continued)

(b) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

(b) Fair Values

As at July 31, 2019, the fair values of accounts payable, due to related parties and notes payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at July 31, 2019, the Company does have sufficient cash to settle current financial liabilities of $89,381.

(d) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company’s cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company’s receivables consist of GST receivable due from the Federal Government of Canada. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company’s ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

10. Financial Instruments (continued)

(f) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates other than notes payable (Note 6). The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

(g) Foreign currency exchange rate risk

The Company currently has no significant operations denominated in foreign currencies. Management believes there is no significant foreign currency exchange rate risk.

11. Capital Management

The Company defines its capital as cash and equity comprised of issued share capital and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements as at July 31, 2019 except when the Company issues flow-through shares for which the amount should be used for exploration work. On December 20, 2018, the Company completed flow-through private placements totalling $500,000. As at July 31, 2019, the Company incurred $187,854 in eligible exploration and evaluation expenditures and consequently the Company has the obligation to incur a remaining balance of $312,146 in exploration and evaluation expenditures no later than December 31, 2019.

12. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

(Expressed in Canadian dollars)

13. Income Taxes

The income taxes shown in the Statements of Income (Loss) and Comprehensive Income (Loss) differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	2019	2018
Statutory tax rate	27.00%	27.00%
Income (loss) before income taxes	$ (844,755)	$ (912,969)
Expected income tax (recovery)	(228,084)	(246,502)
Increase (decrease) in income tax recovery resulting from:		
Items deductible and not deductible for income tax purposes	6,539	(43,800)
Change in tax rate	-	(9,737)
Current and prior tax attributes not recognized	211,005	300,039
Deferred income tax recovery	$ (10,540)	$ -

Details of deferred tax assets are as follows:

	2019	2018
Non-capital losses	$ 541,355	$ 364,967
Resource expenditures	189,003	156,996
Share issuance costs and others	33,849	31,239
	764,207	553,202
Less: Unrecognized deferred tax assets	(764,207)	(553,202)
	$ -	$ -

The Company has approximately $2,000,000 of non-capital losses available, which begin to expire in 2032 through to 2039 and may be applied against future taxable income. The Company also has approximately $900,000 of exploration and development costs which are available for deduction against future income for tax purposes. At July 31, 2019, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

14. Subsequent Events

On September 18, 2019, the Company extended the term for the exercise of 12,000,000 share purchase warrants at an exercise price of $0.15 from February 11, 2020 to February 11, 2022.

Subsequent to the year ended July 31, 2019, the Company terminated the option agreement on the Barachois Vanadium Property (Note 5).