ZANZIBAR GOLD INC.

FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the years ended August 31, 2018 and 2017

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Zanzibar Gold Inc.:

We have audited the accompanying financial statements of Zanzibar Gold Inc., which comprise the statements of financial position as at August 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Zanzibar Gold Inc. as at August 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Zanzibar Gold Inc.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
December 31, 2018

An independent firm associated with Moore Stephens International Limited
MOORE STEPHENS

ZANZIBAR GOLD INC.
Statements of Financial Position
As at August 31, 2018 and 2017
(Expressed in Canadian dollars)

	Note	August 31, 2018	August 31, 2017
ASSETS			
Current assets			
Cash		$ 117,561	$ 134
Amounts receivable		3,640	6,263
Deposit for planned financing		-	46,334
Total current assets		121,201	52,731
Non-current assets			
Exploration and evaluation assets	5	392,510	231,137
Exploration advances	5	26,286	19,786
Deferred financing cost		-	13,333
Total non-current assets		418,796	264,256
TOTAL ASSETS		$ 539,997	$ 316,987
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities		$ 82,919	$ 73,596
Due to related parties	7	209,125	-
Loan payable	7	200,336	-
Total current liabilities		492,380	73,596
Non-current liabilities			
Long term payables		-	13,498
Due to related parties	7	-	167,125
Loan payable	7	-	142,860
Total non-current liabilities		-	323,483
TOTAL LIABILITIES		492,380	397,079
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital stock	6	532,298	290,408
Reserves	6	126,031	29,410
Deficit		(610,712)	(399,910)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		47,617	(80,092)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		$ 539,997	$ 316,987

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

"*Souhail (Abby) Farrage*" — Chief Executive Officer & Director

"*George Zarzour*" — Director

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

ZANZIBAR GOLD INC.

Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note		Year ended August 31, 2018		Year ended August 31, 2017
EXPENSES					
Consulting	7	$	31,500	$	30,000
Office and administration			8,724		71
Professional fees			53,298		64,486
Property investigation costs			26,023		9,183
Stock based compensation	6,7		73,024		29,410
Transfer agent and filing fees			18,233		2,087
Loss and comprehensive loss for the year		$	(210,802)	$	(135,237)
Basic and diluted loss per share		$	(0.03)	$	(0.02)
Weighted average number of shares outstanding - basic and diluted			8,028,989		7,557,755

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

ZANZIBAR GOLD INC.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended August 31, 2018	Year ended August 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (210,802)	$ (135,237)
Item not involving cash:		
Stock based compensation	73,024	29,410
Changes in non-cash working capital:		
Amounts receivable	2,623	(4,257)
Accounts payable and accrued liabilities	15,825	23,882
Prepaid expense	-	3,330
Due to/from related parties	22,000	27,957
Net cash used in operating activities	(97,330)	(54,915)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration advances	(6,500)	-
Exploration and evaluation assets	(161,373)	(16,910)
Net cash used in investing activities	(167,873)	(16,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash	400,000	-
Share issuance costs	(74,846)	-
Loan from related party	57,476	101,600
Long term payables	-	13,498
Deferred financing cost	-	(13,333)
Deposit for planned financing	-	(46,334)
Net cash provided by financing activities	382,630	55,431
Change in cash	117,427	(16,394)
Cash, beginning of year	134	16,528
Cash, end of year	$ 117,561	$ 134

There were no non-cash investing and financing activities during the years ended August 31, 2018 and 2017.

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

ZANZIBAR GOLD INC.

Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of Shares		Capital Stock		Reserves		Deficit		Total
Balance as at August 31, 2016	7,557,755	$	290,408	$	-	$	(264,673)	$	25,735
Stock base compensation	-		-		29,410		-		29,410
Loss for the year	-		-		-		(135,237)		(135,237)
Balance as at August 31, 2017	7,557,755		290,408		29,410		(399,910)		(80,092)
Shares issued for cash (Note 6)	4,000,000		400,000		-		-		400,000
Share issuance costs (Note 6)	-		(158,110)		23,597		-		(134,513)
Stock based compensation (Note 6)	-		-		73,024		-		73,024
Loss for the year	-		-		-		(210,802)		(210,802)
Balance as at August 31, 2018	11,557,755	$	532,298	$	126,031	$	(610,712)	$	47,617

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Zanzibar Gold Inc. (the "Company") was incorporated on August 21, 2014 under the Business Corporations Act of British Columbia. The head office of the Company is 5623 145a Street, Surrey, British Columbia, V3S 8E3. The registered and records office is Suite 1780, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6. The common shares of the Company are listed on the Canadian Securities Exchange ("CSE"), and trade under the symbol "ZBR".

The Company is in the business of the exploration and development of natural resource properties in Tanzania.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2018, the Company has not generated any revenues from operations, has a working capital deficiency of $371,179 and accumulated deficit of $610,712.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management assesses 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 financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption is not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the classifications used could be material.

These financial statements were authorized for issue on December 31, 2018 by the directors of the Company.

2. BASIS OF PREPARATION

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in these financial statements are based on the IFRS issued and effective as of August 31, 2018.

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting.

The financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates

a) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty and the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

b) Significant estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign Currency Translation

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency in which funds from financing activities are generated and receipts from operating activities are usually retained.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the currency rate of exchange at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Cash

Cash includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

c) Exploration and Evaluation Assets

The Company's exploration and evaluation assets consist of mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration and evaluation stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets in property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditures in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditures also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Where the Company has entered into option agreements to acquire interests in mineral properties that require periodic share issuances, amounts un-issued are not recorded as liabilities since they are issuable entirely at the Company's option. Option payments are recorded as mineral property costs when the payments are made and share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the date of the issuance.

All capitalized exploration and evaluation expenditure is assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The following circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditures on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Financial Instruments

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (Continued)

Impairment on financial assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if there is objective evidence of impairment as a result of one or more events, that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities – This category includes accounts payables, due to related parties and loan payable, which are recognized at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) 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 estimated at the end of each reporting period, 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. 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.

g) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Stock based compensation

The Company may grant stock options to buy common shares of the Company to directors, officers, employees and consultants. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion.

The fair value of the options is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Earnings (Loss) Per Share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

New standards, amendments and interpretations not yet effected

New standard IFRS 9 "Financial Instruments" - This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 16 "Leases" - This new standard was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

The Company has not early adopted these revised standards and does not believe that these standards will have a significant impact on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. EXPLORATION AND EVALUATION ASSETS

	Kwedilima Cheetah
Balance – August 31, 2016	$ 214,227
Deferred costs during the year	
Exploration expenses:	
Consulting fees	7,100
Geological analysis	2,500
Property maintenance costs	5,000
Travel and accommodations	2,310
	16,910
Balance – August 31, 2017	231,137
Deferred costs during the year	
Acquisition costs	1,500
Exploration expenses:	
Consulting fees	42,962
Field equipment and supplies	78,049
Other	27,170
Travel and accommodation	11,692
	159,873
Balance – August 31, 2018	$ 392,510

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Kwedilima Cheetah Property, Tanzania

The Company entered into a sub-option agreement with AFGF Holdings (Tanzania) Ltd. ("AFGF") and True Zone Resources Inc. ("True Zone") dated September 26, 2014. AFGF is a private company existing under the laws of Tanzania. AFGF represented and warranted that it had acquired a 100% legal and beneficial interest in a prospecting licenses 6903/2011 & 6905/2011 located in the Handeni Kilindi Regional district of Tanzania. The prospecting licenses were issued February 28, 2011 and transferred in June 2011 to AFGF and grants rights for a period of 48 months to carry on prospecting operations.

The sub-option agreement lapsed and was replaced by an option agreement (the "Option Agreement") between the Company and AFGF dated for reference September 30, 2016. The property that is the subject of the Option Agreement is located on prospecting license 11043/2016 in the Handeni Region, United Republic of Tanzania (the "Property"). The key terms of the Option Agreement are:

The Company can acquire an 80% undivided interest in and to the Property (the "Option") free and clear of all charges, encumbrances and claims in consideration for:

(i) cash payment of $25,000 to AFGF (paid);
(ii) issuance of 500,000 common shares of the Company to AFGF on or before September 26, 2017 (issued);
(iii) incur $75,000 in exploration expenses on or before September 26, 2016 (incurred); and
(iv) an additional $75,000 in exploration expenses on or before December 31, 2016 (incurred).

Pursuant to the Option Agreement, AFGF further granted the Company an option to purchase up to an additional 20% interest in the Property (the "Second Option") upon exercise of the Option by the Company to earn an 80% interest in the Property.

The Second Option may be fully exercised to attain a further 20% legal and beneficial interest in the Property (for an aggregate of up to 100% legal and beneficial interest in the Property) for a 3 year period from the execution of the Option Agreement in consideration for further payments of:

(i) $1,000,000 for each additional 5% interest in the Property for up to $4,000,000; or
(ii) $3,000,000 for an additional 15% interest in the Property whereby the Company may at its sole discretion, pay a further $1,000,000 for a 3% net smelter return (the "Royalty"). The Company is entitled to repurchase up to 2% of the Royalty thereby reducing the Royalty to as low as 2% or 1% net smelter return as the case may be, which may be exercisable at any time, upon the Company giving AFGF notice of exercise together with $1,000,000 for each 1% net smelter return for an aggregate of up to $2,000,000.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

During the year ended August 31, 2018, the Company exercised the option granted by the Option Agreement pursuant to an option exercise agreement among the Company, AFGF and its staking agent, Jafari Yassim Sebabili ("Sebabili") (the "Option Exercise Agreement"). The key terms of the Option Exercise Agreement are that the Company will exercise the first option to earn an 80% interest in the Tanzania property and upon such exercise shall be deemed to have earned an additional 20% interest in the Tanzania property for a total 100% legal and beneficial interest. The prospecting license which comprises the Tanzania property (the "PL") is held by Sebabili on behalf of AFGF and was in the process of being transferred to AFGF. Under the Option Exercise Agreement, Sebabili will withdraw the application to transfer the registration in the PL to AFGF and immediately register the Company as the 100% legal and beneficial owner of the PL. Until such registration occurs, Sebabili will hold the 100% legal and beneficial interest in the PL in trust for the Company.

As at August 31, 2018, the Company has advanced aggregate funds of $26,286 (2017 - $19,786) to various third parties for future exploration work on the property.

6. CAPITAL STOCK

Authorized – unlimited common and preferred shares without par value

Issued and outstanding – Share capital transactions during the year ended August 31, 2018 were as follows:

> On July 19, 2018, the Company completed its initial public offering consisting of 4,000,000 units at $0.10 per unit for gross proceeds of $400,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of two years from the closing date at a price of $0.15 per common share during the first year and $0.20 per common share during the second year. The Company paid cash share issuance costs of $134,513 and issued 320,000 broker's warrants with a fair value of $23,597 to purchase one common share of the Company for a period of three years from the closing date at a price of $0.15 per common share.

There were no share issuances during the year ended August 31, 2017.

Stock options

The Company's plan allows the directors to grant stock options to directors, officers, employees and consultants to purchase up to a total of 10% of the issued and outstanding common shares. No stock option granted under the plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

During the year ended August 31, 2017, the Company approved the grant of incentive stock options to its directors to purchase up to 1,150,000 common shares in the capital of the Company, exercisable at a price of $0.10 per share on or before five years after listing its shares on the CSE, vesting immediately on the listing date. The grant became effective on the date of listing the Company's shares on the CSE on July 18, 2018.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK (CONTINUED)

A summary of the Company's outstanding share purchase options as at August 31, 2018 and the changes during the year are presented below:

	Number of Options	**Weighted Average Exercise Price**
Balance – August 31, 2016 and 2017	-	$ -
Granted	1,150,000	0.10
Balance – August 31, 2018	1,150,000	$ 0.10

Stock options outstanding as at August 31, 2018 is as follows:

Number of Options	Exercise Price ($)	Expiry Date
1,150,000	0.10	July 18, 2023
1,150,000		

Stock based compensation

The stock based compensation expense recognized during the year ended August 31, 2018 was $73,024 (2017 - $29,410).

The weighted average fair value of each stock option granted during the year ended August 31, 2018 was $Nil (2017 - $0.09), calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	2017
Risk-free interest rate	1.51%
Expected life of option	5 years
Expected dividend yield	0%
Expected stock price volatility	141.56%

Share purchase warrants

A summary of the Company's outstanding share purchase warrants as at August 31, 2018 and the changes during the year are presented below:

	Number of Warrants	**Weighted Average Exercise Price**
Balance – August 31, 2016 and 2017	-	$ -
Granted	4,320,000	0.15
Outstanding – August 31, 2018	4,320,000	$ -

(Expressed in Canadian Dollars)

6. CAPITAL STOCK (CONTINUED)

The weighted average remaining life of the warrants outstanding at August 31, 2018 was 1.96 years (2017 – Nil years).

Number of Warrants	Exercise Price ($)	Expiry Date
4,000,000	0.15	July 19, 2020*
320,000	0.15	July 18, 2021
4,320,000		

*Warrant exercise price: $0.15 (July 19, 2019) and $0.20 (July 19, 2020)

The weighted average fair value of the broker's warrant granted during the year ended August 31, 2018 was $0.07 (2017 - $nil), calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	2018
Risk-free interest rate	1.35%
Expected life of option	3 years
Expected dividend yield	0%
Expected stock price volatility	141.56%

Reserves

Reserves relate to share-based payment reserve, which represent the fair value of stock options or warrants until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

7. RELATED PARTY TRANSACTIONS

As at August 31, 2018, there is $69,125 (2017 – $49,125) due to a director of the Company. These amounts are non-interest bearing.

As at August 31, 2018, there is $140,000 (2017 – $118,000) due to a company controlled by a director of the Company. These amounts are non-interest bearing.

As at August 31, 2018, included in loan payable is a balance of $200,336 (2017 – $142,860) due to a director of the Company. These amounts are non-interest bearing.

During the year ended August 31, 2018, the Company incurred $30,000 (2017 - $30,000) in consulting fees from a company controlled by a director of the Company.

During the years ended August 31, 2017 and 2018, a director of the Company, Mr. Farrage, a company for which Mr. Farrage is the Chief Executive Officer and a third party agreed to postpone the payment due date of $245,001, $140,000 and $48,548 respectively until that date which is 13 months from the date that the Company's common shares are listed and called for trading on the CSE. The amounts owing by the Company are non-interest bearing. Notwithstanding such postponement, the Company may pre-pay all or any part of the debt without penalty before such payment due date. The amounts have been classified as current liabilities on the statements of financial position as at August 31, 2018 as they fall within twelve months from the year end date.

During the year ended August 31, 2017 the Company granted stock options to its directors valued at $102,434 of which $29,410 was recognized during the year ended August 31, 2017 and $73,024 was recognized during the year ended August 31, 2018 (Note 6).

8. MANAGEMENT OF CAPITAL

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the period.

9. FINANCIAL INSTRUMENTS AND RISKS

Fair Value
The Company's financial instruments consist of cash, amounts receivable, accounts payable, and due to related parties. The fair value of all financial instruments approximate their carrying values. Cash and amounts receivable are classified as loans and receivables. Accounts payable, due to related parties and loan payable are classified as other financial liabilities.

The Company's financial instrument is exposed to a number of risks that are summarized below:

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and amounts due to related parties. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure that it will always have sufficient cash to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions. The Company manages its liquidity risk by continuously monitoring cash flow requirements relating to its anticipated exploration and evaluation activities as well as general overhead requirements.

Credit Risk
Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in non-interest bearing bank account, management considers the interest rate risk to be minimal.

Commodity Price Risk
The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals or in the share prices of junior mineral exploration companies in general, could have a negative impact on the Company's ability to raise additional capital. Sensitivity to commodity price risk is remote since the Company has not established any reserves or production.

9. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Foreign Exchange Risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars. The Company conducts some of its business in US dollars and is therefore exposed to variations in the foreign exchange rate. In management's opinion there is no material foreign exchange risk to the Company.

10. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

The Company operates in both Canada and Tanzania. The Company's exploration and evaluation asset is located in Tanzania.

11. INCOME TAX

A reconciliation of the expected income recovery to the actual income tax recovery is as follows:

	2018	**2017**
Loss for the year	$ (210,802)	$ (135,237)
Statutory tax rate	27%	26%
Expected income tax recovery	(56,917)	(35,162)
Effect of change in tax rate	(5,142)	-
Change in valuation allowance and other	62,059	35,162
Deferred income tax recovery	**$ -**	**$ -**

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2018	**2017**
Loss carry-forwards	$ 637,875	$ 400,105
Share issuance costs	107,675	195
	$ 745,550	$ 400,300

(Expressed in Canadian Dollars)

11. INCOME TAX (CONTINUED)

The tax pools relating to these deductible temporary differences expire as follows:

		Loss carry-forwards
2034	$	6
2035		129,179
2036		135,618
2037		135,302
2038		237,770
	$	637,875

12. SUBSEQUENT EVENTS

a) In October 2018, 1,150,000 stock options were exercised for gross proceeds of $115,000.

b) In November 2018, the Company signed an option agreement to acquire an 80% interest in Panther1 Property, a vanadium property located in Vancouver Island, British Columbia. Under the terms of the agreement, the Company will make cash payments of $100,000 to the optionor, issue 2,500,000 common shares to the optionor, and incur $225,000 in exploration expenditures by December 31, 2019.

c) In December 2018, the Company granted 1.2 million stock options exercisable at $0.15 per common share with a term of 5 years.