Kootenay Zinc Corp.

FINANCIAL STATEMENTS

For the years ended February 28, 2019 and 2018

Expressed in Canadian Dollars

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Kootenay Zinc Corp.

Opinion

We have audited the accompanying financial statements of Kootenay Zinc Corp. (the "Company"), which comprise the statement of financial position as at February 28, 2019, and the statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company's continuing operations are dependent upon its ability to obtain the necessary financing. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 8 and Note 13 which describe the amounts paid on significant contracts, and Note 1 of the financial statements which describes the provincial securities commission investigation of the significant contracts and parties related thereto.

Other Matters

The financial statements of Kootenay Zinc Corp. for the year ended February 28, 2018, prior to the restatement described in Note 11, were audited by another auditor who expressed an unmodified opinion on those statements on June 28, 2018. We have audited the adjustments to the February 28, 2018 financial statements, and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Stephen Hawkshaw.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada | Chartered Professional Accountants

June 28, 2019

Kootenay Zinc Corp.

Statements of Financial Position
As at
(Expressed in Canadian Dollars)

	Notes		February 28, 2019		February 28, 2018 (Re-stated Note 11)
Assets					
Current Assets					
Cash		$	452,421	$	1,558,233
GST receivable			57,228		75,134
Prepaid expenses	5		34,864		257,614
Total Assets		**$**	**544,513**	**$**	**1,890,981**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	8	$	418,040	$	384,384
Indemnification provision	12		160,135		-
Total Liabilities			**578,175**		**384,384**
Shareholders' Equity (Deficiency)					
Share capital	6		5,772,838		5,772,838
Subscriptions receivable	6		-		(248,400)
Contributed surplus	6		-		659,414
Deficit			(5,806,500)		(4,677,255)
Total Shareholders' Equity (Deficiency)			**(33,662)**		**1,506,597**
Total Liabilities and Shareholders' Equity (Deficiency)		**$**	**544,513**	**$**	**1,890,981**

Nature of operations and going concern (Note 1)

Approved and authorized by the Board on June 28, 2019.

(signed) "*Robert Tindall*"
Robert Tindall
Chief Executive Officer and Director

(signed) "*Tara Haddad*"
Tara Haddad
Chief Financial Officer and Director

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

Kootenay Zinc Corp.
Statements of Comprehensive Loss
For the years ended February 28,
(Expressed in Canadian Dollars)

		2019		2018 (Re-stated Note 11)
Expenses				
Advertising and promotion	$	78,042	$	364,654
Bank charges		691		1,019
Consulting (Note 8)		1,027,712		975,012
Exploration expenditures (Note 8)		17,526		-
Flow-through shares penalties (Note 12)		128,343		-
Indemnification provision for flow-through shares (Note 12)		31,792		-
Insurance		2,818		8,150
Management fees (Note 8)		145,000		52,500
Meals and entertainment		12,390		12,778
Office expenses		51,085		36,155
Professional fees (Note 8)		101,101		128,746
Rent		101,574		48,580
Share-based compensation (Note 6)		-		36,775
Transfer agent and filing fees		29,835		33,898
Travel expense		60,453		5,623
		(1,788,362)		**(1,703,890)**
Other items				
Foreign exchange loss		(297)		**-**
Write-down of exploration and evaluation assets (Note 7)		-		(980,886)
		(297)		(980,886)
Loss and comprehensive loss for the year	**$**	**(1,788,659)**	**$**	**(2,684,776)**
Loss per share - basic and diluted	**$**	**(0.19)**	**$**	**(0.59)**
Weighted average number of common shares outstanding – basic and diluted		**9,364,329**		**4,560,549**

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

Kootenay Zinc Corp.

Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended February 28, 2019 and 2018
(Expressed in Canadian Dollars)

	Share Capital					
	Number of shares	Amount	Contributed surplus	Subscriptions receivable	Deficit	**Total**
Balance at February 28, 2017	**3,856,329**	**$ 4,055,838**	**$ 882,581**	**$ (2,800)**	**$ (2,252,421)**	**$ 2,683,198**
Shares issued for cash (Note 6)	5,500,000	1,715,000	-	(248,400)	-	1,466,600
Shares issued for exploration and evaluation assets (Notes 6, 7)	8,000	4,800	-	-	-	4,800
Share issuance costs (Note 6)	-	(2,800)	-	2,800	-	-
Share-based compensation (Note 6)	-	-	36,775	-	-	36,775
Expired warrants reclassified to deficit	-	-	(259,942)	-	259,942	-
Loss and comprehensive loss for the year (Re-stated Note 11)	-	-	-	-	(2,684,776)	(2,684,776)
Balance at February 28, 2018 (Re-stated Note 11)	**9,364,329**	**$ 5,772,838**	**$ 659,414**	**$ (248,400)**	**$ (4,677,255)**	**$ 1,506,597**
Share subscription received (Note 6)	-	-	-	248,400	-	248,400
Expired options reclassified to deficit	-	-	(659,414)	-	659,414	-
Loss and comprehensive loss for the year	-	-	-	-	(1,788,659)	(1,788,659)
Balance at February 28, 2019	**9,364,329**	**$ 5,772,838**	**$ -**	**$ -**	**$ (5,806,500)**	**$ (33,662)**

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

Kootenay Zinc Corp.

Statements of Cash Flows
For the years ended February 28,
(Expressed in Canadian Dollars)

	2019	2018 (Re-stated Note 11)
Operating activities		
Loss for the year	$ (1,788,659)	$ (2,684,776)
Items not involving cash:		
Share-based compensation	-	36,775
Write-down of exploration and evaluation assets	-	980,886
Changes in non-cash working capital items:		
GST receivable	17,906	(38,265)
Prepaid expenses	222,750	(9,710)
Indemnification provision	160,135	-
Accounts payable and accrued liabilities	33,656	233,033
Net cash used in operating activities	(1,354,212)	(1,482,057)
Investing activity		
Exploration and evaluation assets	-	(479,662)
Net cash used in investing activity	-	(479,662)
Financing activities		
Share subscription received	248,400	-
Proceeds from share issuance	-	1,466,600
Net cash provided by financing activities	248,400	1,466,600
Change in cash for the year	(1,105,812)	(495,119)
Cash, beginning of year	1,558,233	2,053,352
Cash, end of year	**$ 452,421**	**$ 1,558,233**
Supplemental Cash Flow Information		
Share subscriptions receivable	$ -	$ 248,400
Shares issued for exploration and evaluation assets	$ -	$ 4,800
Shares issued for share issuance costs	$ -	$ 2,800
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Kootenay Zinc Corp. (the "Company" or "Kootenay") was incorporated on March 23, 2015 pursuant to the *Business Corporations Act* (British Columbia). The shares of the Company are traded on the Canadian Securities Exchange (the "Exchange") under the symbol "ZNK". The address of its registered and head office is located at Suite 400 - 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

On January 30, 2018, the Company consolidated all of its issued and outstanding share capital on the basis of one post-consolidation common share for 10 pre-consolidation common shares. At the date of consolidation, the Company had 4,864,329 common shares issued and outstanding (Note 6).

The Company was engaged in the business of mineral exploration and evaluation in British Columbia and specifically in the exploration and advancement of the Sully Property. The Company was required to facilitate separate fundraising, exploration and evaluation strategies to achieve its business objectives and it expects to commence these strategies as soon as practicable. Based on the results of the most recent drill program during the year, the Company decided not to pursue the Sully project and has terminated its option agreement with the vendors of the project (Note 7).

The Company is an exploration stage Company with no producing properties, and consequently has no current operating cash flow or revenues. The Company is currently focused on seeking new projects or business operations.

The Company was one of the respondents to the British Columbia Securities Commission ("BCSC") Temporary Order dated November 26, 2018 issued against a group of people and entities. The hearing was held on December 7, 2018. The case centred around share issuances by 11 CSE issuers (the Company being one of the named issuers in the order) between February, 2018 and August, 2018. The BCSC is investigating whether the respondents violated securities legislation by participating in a scheme that involved conduct abusive to the capital markets and the illegal distribution of securities. The scheme, as set out by the BCSC, involved listed companies issuing private placement shares without a prospectus. The issuances were done under an exemption normally reserved for consultants.

Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company.

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's continuing operations, as intended, are dependent upon its ability to complete the exploration of its exploration and evaluation assets, including obtaining the necessary financing. There can be no assurance that the Company will be able to complete such activities or obtain financing to continue; therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

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

(b) Approval of the financial statements

The financial statements of the Company were approved by the directors and authorized for issue on June 28, 2019.

(c) Significant accounting judgments, estimates and assumptions

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position, and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates appear throughout the financial statements and may require adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other relevant factors that are believed to be reasonable under the circumstances.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Critical accounting estimates

Share-based compensation

Estimating the fair value of granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected rate of forfeiture, volatility and dividend yield, and making assumptions about them. The Company uses the Block-Scholes Option Pricing Model.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

2. BASIS OF PRESENTATION (CONTINUED)

(c) Significant accounting judgments, estimates and assumptions (continued)

Critical accounting judgments

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of exploration and evaluation assets

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Warrants that are issued as payment for finder fees or other transaction costs are accounted for as share-based compensation and recognized as share issuance costs and contributed surplus. Proceeds and issue costs from unit placements are allocated between shares and warrants issued according to the residual method whereby proceeds are allocated first to share capital based on the market trading price of the common shares at the time the units are issued, and any excess is allocated to warrants.

In situations where share capital is issued or received as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares issued is based on the trading price of those shares on the date of issuance.

(b) Flow-through shares/units

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) fair value of share capital issued, based on market price at time of issuance, and ii) the residual as a flow-through share premium, which is recognized as a liability. On issuance of a flow-through unit, the Company allocated the flow-through unit into: i) fair value of share capital issued, based on market price at time on issuance, ii) estimated fair value of a warrant, and iii) the residual as flow-through share premium, which is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability. The premium if recognized as other income and the related deferred tax is recognized as a tax provision.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Share-based compensation

The Company grants stock options to directors, officers, employees and consultants. Share-based compensation to employees is measured on the grant date at the fair value of the equity instruments issued, using the Black-Scholes Option Pricing Model and is accrued and charged either to operations or exploration and evaluation assets, over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and is recorded at the date the goods or services are received. The offset to the recorded cost is to contributed surplus. If an option or warrant is cancelled or has expired, the fair value of the option or warrant, which was accrued to contributed surplus, is reallocated to deficit.

(d) Income tax

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(i) Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(e) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Exploration and evaluation expenditures (continued)

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(f) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed using the treasury stock method, under which the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(g) Change in accounting policies

Financial instruments

The Company has adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of March 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

<u>Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Change in accounting policies (continued)

Financial instruments (continued)

Classification (continued)

instruments are driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at March 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on March 1, 2018.

Measurement

Financial assets at FVTOCI
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of profit or loss. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of profit or loss.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Change in accounting policies (continued)

Financial instruments (continued)

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of profit or loss.

Classification and measurement of share-based payment transactions (amendments to IFRS 2 *Share-based Payment*):

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning March 1, 2018.

(h) Accounting standards issued but not yet applied

The following new standards have been issued by the IASB, but are not yet effective:

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Accounting standards issued but not yet applied (continued)

- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for annual periods beginning March 1, 2019, with earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. The Company does not expect the impact of this new standard on its financial statements to be material.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company classifies its financial instrument as follows:

- Cash is classified as a financial asset at FVTPL
- Accounts payable and accrued liabilities, at amortized cost

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company’s risk exposure and the impact on the Company’s financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s cash.

The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. The Company is not exposed to significant credit risk on receivables, as these amounts are due from government agencies. The carrying amount of financial assets represents the maximum credit exposure.

(Expressed in Canadian Dollars)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company is not exposed to significant liquidity risk. All of the Company's financial liabilities have contractual maturities of less than 90 days.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other price risk. The Company is not exposed to significant market risk.

5. PREPAID EXPENSES

		February 28, 2019		**February 28, 2018**
Advertising and promotion	$	-	$	78,042
Consulting		16,667		174,792
Insurance		13,417		-
Rent		1,780		1,780
Security deposit		3,000		3,000
Total	**$**	**34,864**	**$**	**257,614**

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

On January 30, 2018, the Company consolidated all of its issued and outstanding share capital on the basis of one post-consolidation common share for 10 pre-consolidation common shares. At the date of consolidation, the Company had 4,864,329 common shares issued and outstanding. All figures as to the numbers of common shares, stock options, warrants, and loss per share in these financial statements have been retroactively restated to reflect the consolidation.

On October 12, 2017, the Company closed a non-brokered flow-through private placement of 1,000,000 flow-through units (the "FT Unit") at a price of $0.50 per FT Unit for gross proceeds of $500,000. Each FT Unit consists of one flow-through share of the Company and one common share purchase warrant (the "Warrant"). Each Warrant is convertible into one common share at a price of $1.00 per share and is exercisable for a period of one year. The Warrants were valued at $Nil using the residual value method and no value was allocated to the flow-through premium. Subsequent to February 28, 2019, the Company amended its flow-through filings so that only 500,000 units (for $250,000) were to be considered flow-through units (Note 12).

During the year ended February 28, 2018, the Company issued 8,000 common shares having a value of $4,800 which were capitalized to exploration and evaluation assets. (Note 7)

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

(b) Issued and outstanding (continued)

On February 2, 2018, the Company closed the first tranche of a non-brokered private placement for 4,500,000 units for gross proceeds of $1,215,000 at a price of $0.27 per unit. Each unit consists of one common share and one common share purchase warrant (a "Warrant"). Each Warrant is convertible into one common share at a price of $0.36 per share and is exercisable for a period of one year. The Warrants were valued at $Nil using the residual value method. As at February 28, 2019, the Company had $Nil (2018 - $248,400) receivable.

During the year ended February 28, 2018, the Company collected $175,500 of proceeds for an over-subscribed private placement. This amount was included in accounts payable and accrued liabilities as at February 28, 2018 and was returned to the subscribers during the year ended February 28, 2019.

There were no shares issued during the year ended February 28, 2019.

(c) Stock options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to two years from the date of grant, and must comply with the rules of the Exchange.

During the year ended February 28, 2017, the Company granted 265,000 stock options to officers, directors and consultants in accordance with the policies of the Exchange. Of these stock options, 122,500 stock options are exercisable at a price of $2.00 per share and expire two years from the date of grant, 112,500 stock options are exercisable for a two-year period at a price of $5.00 per share and expire two years from the date of the grant, and 30,000 stock options are exercisable at a price of $6.00 per share and expire two years from the date of grant.

The fair value of the stock options was estimated to be $659,414. The fair value of the stock options was determined using the Black-Scholes Option Pricing Model and the following weighted average assumptions: share price of $0.36, expected share price volatility of 150%, expected life of two years and risk-free interest rate of 0.68%. The expected volatility is based on an average of historical prices of a comparable group of companies within the same industry due to the lack of historical pricing information for the Company. The weighted average fair value per option at the grant date was $2.70. In accordance with the vesting schedule for these options $36,775 of share-based compensation expense has been recognized during the year ended February 28, 2018. The options have fully vested as of the year ended February 28, 2018. During the year ended February 28, 2019, 265,000 stock options expired.

As at February 28, 2019, the Company had options outstanding enabling holders to acquire the following:

	Options Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance, February 28, 2018 and 2017	265,000	$	3.73	0.77
Options expired	(265,000)		(3.73)	-
Balance, February 28, 2019	-	$	-	-

There were no stock options granted during the year ended February 28, 2019.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

(d) Escrow shares

As at February 28, 2019, there were Nil (2018 - 25,250) shares held in escrow in accordance with the Exchange policies on commencement of trading on the Exchange, which were previously issued to related parties. The shares held in escrow are released over a 30-month period ending December 9, 2018.

(e) Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Warrants Outstanding		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance, February 28, 2017	825,000	$	3.00	0.83
Warrants issued	5,500,000		0.40	0.87
Warrants expired	(825,000)		3.00	-
Balance, February 28, 2018	5,500,000		0.40	0.87
Warrants expired	(5,500,000)		(0.40)	-
Balance, February 28, 2019	-	$	-	-

There were no share purchase warrants issued during the year ended February 28, 2019.

(f) Broker's fee warrants

Broker's fee warrant transactions are summarized as follows:

	Warrants Outstanding		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance, February 28, 2017	105,960	$	3.00	0.83
Warrants expired	(105,960)		(3.00)	(0.83)
Balance, February 28, 2018 and 2019	-	$	-	-

There were no broker's fee warrants issued and outstanding during the years ended February 28, 2019 and 2018.

7. EXPLORATION AND EVALUATION ASSETS

Sully Property

On September 30, 2016, the Company entered into an option agreement with Gravitas Metals Corp. ("Gravitas") and the shareholders of Gravitas, pursuant to which the Company has the option to acquire all of the issued and outstanding shares of Gravitas, a private corporation, incorporated under the laws of British Columbia, which, pursuant to an option agreement between Gravitas and the holders of the Sully Property dated October 21, 2011 and last amended August 9, 2016, holds an exclusive option and right to acquire an 80% interest in mining claims located in the Fort Steele Mining Division in the southeast portion of the province of British Columbia.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sully Property (continued)

Pursuant to the terms of the agreement, as amended on October 20, 2017, the option is exercisable by the Company by: (a) issuing to the Gravitas vendors, on a pro-rata basis, on or before the expiry of the option period such number of common shares of the Company equal to 35% (post-issuance) of the issued and outstanding common shares of the Company; and (b) satisfying all of the outstanding obligations of Gravitas under the underlying Sully Property agreement as follows:

- Incurring expenditures on or in respect of the Sully Property, including:
  - $1,500,000 on or before October 21, 2017 (approximately $1,340,000 completed by Gravitas as of the date of the agreement); and
  - An additional $1,500,000 on or before October 21, 2018.

- Making payments in the form of cash, common shares of the Company to the Sully vendors, including:
  - 8,000 common shares on or before October 21, 2017 (issued); and
  - $200,000 on or before April 21, 2018.

In addition, upon exercising the Sully Property option, Gravitas will become a wholly owned subsidiary of the Company, and the Company and the Sully vendors will form an 80/20 joint venture. A 2% net smelter returns royalty will be held in favour of the Sully vendors, half of which may be purchased back by Gravitas for $5,000,000. Pursuant to a right of first refusal purchase agreement dated August 9, 2016, holder of the Sully Property also granted to Gravitas a right of first refusal to purchase the remaining collective 20% interest in the Sully Property or the individual 5% interest of the Sully Property from the Sully vendors after the exercise of the Sully Property option.

During the year ended February 28, 2018, the Company issued 8,000 common shares as payment in relation to the option agreement, which were valued at $4,800 (Note 6) and were capitalized to exploration and evaluation assets.

The Company did not meet the April 21, 2018 payment requirement. The Company determined that the carrying value of its interest in the Sully Property was impaired as no additional expenditures are planned for the property. As a result, the Company wrote-off cumulative costs incurred to date on the Sully Property of $980,886 as an impairment loss, determined in accordance with Level 3 of the fair value hierarchy. During the year ended February 28, 2019, the Company decided not to pursue the option agreement with the vendors of the project.

As of February 28, 2019, the exploration expenditures incurred by the Company related to the Sully Property was as follows:

		Exploration Expenditures
Balance, February 28, 2017	$	496,424
Acquisition		4,800
Geophysics and modelling		58,932
Drilling		192,748
Geological consulting (Note 8)		221,913
Testing and analysis		6,069
Write-down of exploration and evaluation assets		(980,886)
Balance, February 28, 2019 and 2018	$	-

8. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel of the Company are the directors and officers of the Company. During the year ended February 28, 2019, the Company entered into the following transactions with key management personnel and other related parties:

a) Paid or accrued management fees of $95,000 (2018 - $Nil) to Robert Tindall, a director and officer of the Company.

b) Paid or accrued management fees of $50,000 (2018 - $Nil) to Von Torres, a former director of the Company, and consulting fees of $51,250 (2018 - $Nil) to Essos Corporate Services Inc., a company controlled by Von Torres.

c) Paid or accrued management fees of $Nil (2018 - $52,500) to David Schmidt, a former director and officer of the Company.

d) Paid or accrued accounting fees of $55,000 (2018 - $91,000) to BridgeMark Financial Corp., and $5,000 (2018 - $Nil) to Regiis Oak Capital Corp., companies controlled by a former director and officer of the Company.

e) Paid or accrued geological consulting fees of $9,093 (2018 - $34,288) to Paul Ransom, a technical officer of the Company.

At February 28, 2019, $91,532 (2018 - $38,850) was included in accounts payable and accrued liabilities as owing to related parties. Amounts due to (from) related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

9. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements. There were no changes in the Company's capital management approach during the year ended February 28, 2019.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

10. SEGMENTED REPORTING

The Company had one operating segment, the exploration and evaluation of mineral properties, with all assets located in Canada. The Company is currently focused on seeking new projects or business operations.

(Expressed in Canadian Dollars)

11. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the preparation of the financial statements for the year ended February 28, 2019, the Company determined that consulting fees were paid and recorded for services rendered for the year ended February 28, 2018 amounting to $43,000. Therefore, these fees should have been included as an expense during fiscal 2018.

The financial statement impact for the year ended February 28, 2018 resulting from the adjustment described above is as follows:

	As previously reported	Restatement	Restated
Statement of financial position			
Accounts payable and accrued liabilities	$ 341,384	$ 43,000	$ 384,384
Deficit	(4,634,255)	(43,000)	(4,677,255)
Statement of comprehensive loss			
Consulting fees	932,012	43,000	975,012
Net and comprehensive loss	(2,641,776)	(43,000)	(2,684,776)
Basic and diluted loss per share	$ (0.58)	$ (0.01)	$ (0.59)

There was no impact to the net cash used in operating activities in the statement of cash flow for the year ended February 28, 2018.

12. INCOME TAXES

A reconciliation of income tax provision computed at Canadian statutory to the reported income tax provision is provided as follows:

	2019	2018 (Re-stated Note 11)
Loss before income taxes	$ (1,788,659)	$ (2,684,776)
Canadian statutory rate	27%	26%
Income tax benefit computed at statutory rates	(483,000)	(698,042)
Items not deductible for tax purposes	37,000	11,223
Origination and reversal of temporary differences	-	1,071
Impact of flow-through shares	68,000	-
Effect of change in tax rates	(45,000)	(33,727)
Unused tax losses and tax offsets not recognized	423,000	719,475
	$ -	$ -

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets are recognized consist of the following amounts:

	2019	2018 (Re-stated Note 11)
Non-capital losses	$ 4,989,000	$ 3,290,207
Share issuance cost	84,000	125,533
Exploration and evaluation assets	748,000	980,886
Unrecognized deductible temporary differences	$ 5,821,000	$ 4,396,626

12. INCOME TAXES (CONTINUED)

As at February 28, 2019, the Company has operating losses available for carry-forward of approximately $4,989,000 available to apply against future Canadian income tax purposes. The operating losses expire between 2038 and 2039.

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

As a result of not incurring the qualified expenditures and not filing the appropriate forms with Canada Revenue Agency, the Company recognized a provision for late filing penalties and accrued interest assessed against the Company in fiscal 2018 associated with flow-through share renunciation compliance requirements. The indemnification provision includes $31,792 related to interest and penalties in connection with this assessment.

The Company agreed to indemnify the flow-through shareholders for certain costs they incurred as a result of not meeting its obligation to spend the flow-through share proceeds on qualifying Canadian exploration expenditures in compliance with the applicable tax rules and pursuant to the share subscription agreement entered into. As at February 28, 2019, the Company has included a provision for the indemnification of flow-through to shareholders of $128,343 for these costs.

As at February 28, 2019, the Company had $250,000 remaining in flow-through expenditure commitments.

13. NON-RELATED CONSULTING TRANSACTIONS

Significant consulting compensation

During the year ended February 28, 2019, the Company incurred consulting fees of $733,958 (2018 - $396,962) to consultants on the BCSC Temporary Order dated November 26, 2018. Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company (Note 1). As at February 28, 2019, there was an additional $16,667 included in prepaid expenses.

During the year ended February 28, 2019, the Company incurred consulting fees of $222,505 (2018 - $569,800) to arm's length parties.

At February 28, 2019, $208,099 (2018 - $92,504) was included in accounts payable and accrued liabilities as owing to the above noted parties.