Kootenay Zinc Corp.

CONDENSED INTERIM FINANCIAL STATEMENTS

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

Unaudited – Prepared by Management

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management and have been approved by the board of directors.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Kootenay Zinc Corp.

Condensed Interim Statements of Financial Position
As at
(Unaudited) (Expressed in Canadian dollars)

	Notes		August 31, 2019		February 28, 2019
Assets					
Current Assets					
Cash		$	35,027	$	452,421
GST receivable			68,592		57,228
Prepaid expenses	5		47,392		34,864
Total Assets		**$**	**151,011**	**$**	**544,513**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	8	$	70,487	$	418,040
Indemnification provision	6		160,135		160,135
Total Liabilities			**230,622**		**578,175**
Shareholders' Deficiency					
Share capital	6		5,772,838		5,772,838
Deficit			(5,852,449)		(5,806,500)
Total Shareholders' Deficiency			**(79,611)**		**(33,662)**
Total Liabilities and Shareholders' Deficiency		**$**	**151,011**	**$**	**544,513**

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved and authorized by the Board on October 29, 2019.

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

(signed) "*Usama Chaudhry*"
Usama Chaudhry
Director

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

Kootenay Zinc Corp.

Condensed Interim Statements of Comprehensive Income (Loss)
For the three and six months ended August 31, 2019 and 2018
(Unaudited) (Expressed in Canadian dollars)

	Three months ended August 31, 2019	Three months ended August 31, 2018 (Restated, Note 11)	Six months ended August 31, 2019	Six months ended August 31, 2018 (Restated, Note 11)
Expenses				
Advertising and promotion	$ -	$ -	$ -	$ 78,042
Bank charges	66	73	134	135
Consulting (Note 8)	4,762	145,499	115,113	619,913
Exploration expenditures	-	3,372	-	17,526
Insurance	2,012	-	4,160	-
Management fees (Note 8)	43,000	10,000	58,000	80,000
Meals and entertainment	1,693	156	1,743	3,482
Office expenses (recovery)	519	(6)	2,255	730
Professional fees (Note 8)	33,189	20,940	50,864	35,940
Rent	-	5,340	1,780	62,680
Transfer agent and filing fees	6,768	7,847	13,036	17,187
Travel expense	-	4,264	282	18,389
	(92,009)	**(197,485)**	**(247,367)**	**(934,024)**
Other items				
Foreign exchange gain (loss)	-	(300)	3,418	(300)
Gain on debt settlement (Note 12)	198,000	-	198,000	-
Income (loss) and comprehensive income (loss) for the period	**$ 105,991**	**$ (197,785)**	**$ (45,949)**	**$ (934,324)**
Income (loss) per share - basic and diluted	**$ 0.01**	**$ (0.02)**	**$ (0.00)**	**$ (0.10)**
Weighted average number of common shares outstanding - basic and diluted	**9,364,329**	**9,364,329**	**9,364,329**	**9,364,329**

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

Kootenay Zinc Corp.

Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the six months ended August 31, 2019 and 2018
(Unaudited) (Expressed in Canadian dollars)

	Share Capital					
	Number of shares	Amount	Contributed surplus	Subscriptions receivable	Deficit	Total
Balance at February 28, 2018 (Restated, Note 11)	**9,364,329**	**$ 5,772,838**	**$ 659,414**	**$ (248,400)**	**$ (4,677,255)**	**$ 1,506,597**
Share subscription received	-	-	-	248,040	-	248,040
Loss and comprehensive loss for the period (Restated, Note 11)	-	-	-	-	(934,324)	(934,324)
Balance at August 31, 2018	**9,364,329**	**$ 5,772,838**	**$ 659,414**	**$ (360)**	**$ (5,611,579)**	**$ 820,313**
Balance at February 28, 2019	**9,364,329**	**$ 5,772,838**	**$ -**	**$ -**	**$ (5,806,500)**	**$ (33,662)**
Loss and comprehensive loss for the period	-	-	-	-	(45,949)	(45,949)
Balance at August 31, 2019	**9,364,329**	**$ 5,772,838**	**$ -**	**$ -**	**$ (5,852,449)**	**$ (79,611)**

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

Kootenay Zinc Corp.

Condensed Interim Statements of Cash Flows
For the three and six months ended August 31, 2019 and 2018
(Unaudited) (Expressed in Canadian Dollars)

	Three months ended August 31, 2019	Three months ended August 31, 2018 (Restated, Note 11)	Six months ended August 31, 2019	Six months ended August 31, 2018 (Restated, Note 11)
Operating activities				
Income (loss) for the period	$ 105,991	$ (197,785)	$ (45,949)	$ (934,324)
Item not involving cash:				
Gain on debt settlement	(198,000)	-	(198,000)	-
Changes in non-cash working capital items:				
GST receivable	(6,362)	(2,974)	(11,364)	(10,202)
Prepaid expenses	(32,988)	133,095	(12,528)	(2,363)
Accounts payable and accrued liabilities	(91,896)	11,708	(149,553)	(76,687)
Net cash used in operating activities	(223,255)	(55,956)	(417,394)	(1,023,576)
Financing activity				
Share subscription received	-	248,040	-	248,040
Net cash provided by financing activity	-	248,040	-	248,040
Change in cash for the period	(223,255)	192,084	(417,394)	(775,536)
Cash, beginning of period	258,282	590,613	452,421	1,558,233
Cash, end of period	**$ 35,027**	**$ 782,697**	**$ 35,027**	**$ 782,697**
Cash paid during the period for interest	$ -	$ -	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of these condensed interim 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 1 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 ended February 28, 2019, the Company decided not to pursue the Sully project and has terminated its option agreement with the vendors of the project (Note 7).

On September 13, 2019, the Company entered into an option agreement with Longford Capital Corp. to acquire 100% interest in and to certain mineral properties, together with the surface rights, mineral rights, personal property and permits associated therewith, located in the Angus Property (Note 13).

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.

On July 26, 2019, the Company received notice that a class action lawsuit has been filed against the Company, former directors of the Company and certain others in the Supreme Court of British Columbia. The plaintiffs are seeking damages for various possible causes of action, including unlawful conspiracy, misrepresentation and secondary market misrepresentations. The claim has not been certified as a class action as at the date hereof. The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

These condensed interim 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 condensed interim 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 condensed interim financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Therefore, these condensed interim financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

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

(b) Approval of the financial statements

The condensed interim financial statements of the Company were approved by the directors and authorized for issue on October 29, 2019.

(c) Significant accounting judgments, estimates and assumptions

Critical accounting estimates and assumptions

The preparation of condensed interim 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 condensed interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates appear throughout the condensed interim 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 Black-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.

(ii) 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 instruments is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Change in accounting policies (continued)

Financial instruments (continued)

Classification (continued)

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)

<u>Derecognition</u>

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) New accounting standards effective and adopted

Leases

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) New accounting standards effective and adopted (continued)

Leases (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 continues to assess the impact of adopting this standard on its financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

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.

(Unaudited) (Expressed in Canadian dollars)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

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.

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

	August 31, 2019	February 28, 2019
Consulting	$ -	$ 16,667
Management	35,000	-
Insurance	9,392	13,417
Rent	-	1,780
Security deposit	3,000	3,000
Total	**$ 47,392**	**$ 34,864**

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 1 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 income (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. During the six months ended August 31, 2019, the

6. SHARE CAPITAL (CONTINUED)

(b) Issued and outstanding (continued)

Company amended its flow-through filings so that only 500,000 units (for $250,000) were to be considered flow-through units.

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 August 31, 2019 and 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.

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)

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.

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 six months ended August 31, 2019 and 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.

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

(Unaudited) (Expressed in Canadian dollars)

6. SHARE CAPITAL (CONTINUED)

(c) Stock options (continued)

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.

Stock option transactions are summarized as follows:

	Options Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance, February 28, 2018	265,000	$	3.73	0.77
Options expired	(265,000)		(3.73)	-
Balance, February 28, 2019 and August 31, 2019	-	$	-	-

There were no stock options granted during the six months ended August 31, 2019.

(d) 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, 2018	5,500,000	$	0.40	0.87
Warrants expired	(5,500,000)		(0.40)	-
Balance, February 28, 2019 and August 31, 2019	-	$	-	-

There were no share purchase warrants issued during the six months ended August 31, 2019.

(e) Broker's fee warrants

There were no broker's fee warrants issued and outstanding during the six months ended August 31, 2019 and year ended February 28, 2019.

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.

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.

8. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel of the Company are the directors and officers of the Company. During the six months ended August 31, 2019, the Company entered into the following transactions with key management personnel and other related parties:

a) Paid or accrued management fees of $30,000 (2018 - $30,000) to Robert Tindall, a former director and officer of the Company.

b) Paid or accrued management fees of $25,000 (2018 - $Nil) to Tara Haddad, a director and officer of the Company.

c) Paid or accrued management fees of $3,000 (2018 - $Nil) to Chaudhry U Consulting Inc., a company controlled by a director of the Company.

d) Paid or accrued consulting fees and management fees of $15,000 and $Nil, respectively (2018 - $5,625 and $50,000, respectively) to Essos Corporate Services Inc., a company controlled by a director of the Company.

e) Paid or accrued accounting fees of $Nil (2018 - $30,000) to BridgeMark Financial Corp., and $30,000 (2018 - $Nil) to Regiis Oak Capital Corp., companies controlled by a former director and officer of the Company.

f) Paid or accrued geological consulting fees of $Nil (2018 - $9,093) to Paul Ransom, former technical officer of the Company.

At August 31, 2019, $29,605 (February 28, 2019 - $91,532) was included in accounts payable and accrued liabilities as owing to related parties. Amounts due to 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 six months ended August 31, 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.

(Unaudited) (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)

The financial statement impact for the period ended August 31, 2018 resulting from the adjustment described above is as follows:

	As previously reported	Restatement	Restated
Statement of financial position			
Share capital	$ 5,707,838	$ 65,000	$ 5,772,838
Deficit	(5,546,579)	(65,000)	(5,611,579)
Statement of comprehensive loss			
Consulting fees	597,913	22,000	619,913
Net and comprehensive loss	$ (912,324)	$ (22,000)	$ (934,324)

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 and for the period ended August 31, 2018.

12. NON-RELATED CONSULTING TRANSACTIONS

Significant consulting compensation

During the six months ended August 31, 2019, the Company incurred consulting fees of $20,667 (2018 - $433,208) 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 August 31, 2019, there was $Nil (February 28, 2019 - $16,667) included in prepaid expenses.

During the six months ended August 31, 2019, the Company incurred consulting fees of $79,447 (2018 - $181,080) to arm's length parties.

During the six months ended August 31, 2019, the Company entered into a debt settlement agreement to settle debt amounting to $198,000 by issuing a payment of $1.00. The Company recorded a gain on debt settlement of $198,000 on the statement of comprehensive loss.

12. NON-RELATED CONSULTING TRANSACTIONS (CONTINUED)

At August 31, 2019, $Nil (February 28, 2019 - $208,099) was included in accounts payable and accrued liabilities as owing to the above noted parties.

13. SUBSEQUENT EVENTS

Option Agreement for Angus Property

On September 13, 2019, the Company entered into an option agreement with Longford Capital Corp. to acquire a 100% interest in and to certain mineral properties, together with the surface rights, mineral rights, personal property and permits associated therewith, located in the Angus Property.

The Angus Property is a gold and copper prospect with an area of 1,019 hectares in the Victoria mining division of Vancouver Island. The property has access by logging roads to the north of the Lake Cowichan community, which is owned by Island Timberland and Timberland West.

Highlights of the project:

The property hosts four historic Minfiles and has returned multiple multigram assay results (grams per tonne gold). Historic results include:

- From a gossanous diorite grab sample:
    - 13.0 grams per tonne gold;
    - 14.7 grams per tonne silver; and
    - 0.3376% copper.
- From vein material:
    - 13.03 grams per tonne gold;
    - 29.4 grams per tonne silver;
    - 0.55% lead; and
    - 0.238% zinc.

The area has the potential for hosting a copper-gold porphyry with a historic grab sample of chlorite schist feldspar porphyry near a shear zone running 0.325 gram per tonne gold and 0.472% copper, and a second sample running 1.4 grams per tonne gold, 17.6 grams per tonne silver and 1.58% copper.

Grab samples are selected samples and are not necessarily representative of the mineralization hosted on the property.

Agreement terms:

- The Company is granted the sole and exclusive right and option to acquire a 100% interest in the Angus Property by issuing 3,000,000 shares to the optionors:
    - 2,500,000 shares to be issued upon signing of the agreement (issued subsequent to August 31, 2019); and
    - 500,000 shares to be issued on the first anniversary from the effective date of the agreement.
- The Company is to complete $125,000 in exploration expenditures within 24 months of the effective date of the agreement:
    - The Company grants and agrees to pay to the royalty holder a royalty equal to 2% of the net smelter return royalty in respect of the Angus claims. The Company has the option to buy back 1% of the NSR for consideration of $1,500,000.

13. SUBSEQUENT EVENTS (CONTINUED)

Debt Settlement Agreement

On October 11, 2019, the Company entered into a debt settlement agreement with the Company's former CEO (the "Creditor") for the settlement of the Company's outstanding debt. Pursuant to the debt settlement agreement, 185,185 common shares of the Company will be issued to the Creditor at a price of $0.081 per share, in full and final settlement of the outstanding debt of $15,000.