INTERNATIONAL MONTORO RESOURCES INC.

Financial Statements

Year ended August 31, 2018 and 2017

Expressed in Canadian Dollars

Crowe

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Independent Auditor's Report

To the Shareholders of International Montoro Resources Inc.

We have audited the accompanying financial statements of International Montoro Resources Inc., which comprise the statements of financial position as at August 31, 2018 and August 31, 2017, and the statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of International Montoro Resources Inc. to continue as a going concern.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
December 28, 2018

INTERNATIONAL MONTORO RESOURCES INC.

Statements of Financial Position

(Expressed in Canadian dollars)

	Notes		August 31, 2018		August 31, 2017
ASSETS					
Current assets					
Cash		$	20,710	$	4,203
Amounts recoverable	4		21,234		1,196
Due from related party			1,313		-
Prepaid expenses and deposits			5,226		8,089
			48,483		13,488
Non-current assets					
Exploration and evaluation assets	5		2,226,790		2,028,510
		$	2,275,273	$	2,041,998
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	6	$	292,643	$	236,913
Promissory notes	9 and 11		233,361		250,425
Due to related parties	9		368,720		459,833
			894,724		947,171
Shareholders' equity					
Share capital	7		11,206,005		10,725,618
Share subscription advance			45,400		400
Reserves	8		1,080,624		949,757
Deficit			(10,951,480)		(10,580,948)
			1,380,549		1,094,827
		$	2,275,273	$	2,041,998

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors

"Gary Musil" Director
Gary Musil

"Fraser Rieche" Director
Fraser Rieche

The accompanying notes are an integral part of these financial statements

INTERNATIONAL MONTORO RESOURCES INC.

Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Years ended August 31, 2018	August 31, 2017
Expenses			
Bank and interest charges		$ 4,742	$ 4,590
Bonus shares	11	5,600	1,200
Consulting fees		6,826	-
Filing and transfer agent fees		25,802	20,852
Loan interest	11	39,494	39,306
Management fees	9	60,000	60,000
Office and miscellaneous	9	7,555	7,441
Professional fees		61,266	20,203
Rent	9	28,200	28,200
Salaries and benefits		5,954	6,812
Share-based payment	7		
Directors		51,595	-
Consultants		66,629	-
Telephone		2,010	2,336
Travel and promotion		22,848	8,584
Total expenses		(388,521)	(199,524)
Other income (loss):			
Part XII.6 tax		(3,254)	-
Impairment of exploration and evaluation assets	5	-	(11,249)
Gain on debt settlement	7	21,243	17,434
		17,989	6,185
Net loss for the year		(370,532)	(193,339)
Total comprehensive loss for the year		$ (370,532)	$ (193,339)
Weighted average number of common shares outstanding (basic and diluted)		22,176,310	15,079,119
Basic and diluted net loss per share		$ (0.02)	$ (0.01)

The accompanying notes are an integral part of these financial statements

INTERNATIONAL MONTORO RESOURCES INC.
Statements of Shareholders' Equity
(Expressed in Canadian dollars)

	Share capital						
	Number of shares	Amount	Share subscription advance	Option Reserves	Warrant reserves	Deficit	Total
Balance at August 31, 2016	15,044,105	$ 10,699,918	$ 400	$ 901,404	$ 41,889	$ (10,387,609)	$ 1,256,002
Loss for the year		-	-	-	-	(193,339)	(193,339)
Shares issued for bonus shares	12,000	1,200					1,200
Units issued for debt settlement	196,000	24,500	-	-	6,464	-	30,964
Balance at August 31, 2017	**15,252,105**	**$ 10,725,618**	**$ 400**	**$ 901,404**	**$ 48,353**	**$ (10,580,948)**	**$ 1,094,827**
Balance at August 31, 2017	15,252,105	$ 10,725,618	$ 400	$ 901,404	$ 48,353	$ (10,580,948)	$ 1,094,827
Loss for the year	-	-	-	-	-	(370,532)	(370,532)
Shares issued pursuant to private placement	8,705,000	446,025	-	-	-	-	446,025
Shares issued for bonus shares	140,000	5,600	-	-	-	-	5,600
Shares issued for property acquisition	1,000,000	55,000	-	-	-	-	55,000
Share issue costs	-	(13,595)	-	-	-	-	(13,595)
Share subscription	-	-	45,000	-	-	-	45,000
Share-based payment charges	-	-	-	118,224	-	-	118,224
Fair value of warrants issued	-	(12,643)	-	-	12,643	-	-
Balance at August 31, 2018	**25,097,105**	**$ 11,206,005**	**$ 45,400**	**$ 1,019,628**	**$ 60,996**	**$ (10,951,480)**	**$ 1,380,549**

The accompanying notes are an integral part of these financial statements

INTERNATIONAL MONTORO RESOURCES INC.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended	
	August 31, 2018	August 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (370,532)	$ (193,339)
Adjustments to reconcile loss to net cash used in operating activities:		
Bonus shares	5,600	1,200
Share-based payment	118,224	-
Interest accrued on loans and payables	39,494	39,306
Impairment of exploration and evaluation assets	-	11,249
Gain on settlement of debt	(21,243)	(17,434)
Changes in non-cash items:		
Decrease (increase) in amounts recoverable	(20,038)	152
Decrease (increase) in prepaid expenses and deposits	2,863	(1,451)
Increase (decrease) in accounts payable and accrued liabilities	(972)	11,591
Net cash used in operating activities	(246,604)	(148,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Accounts payable and due to related parties related to evaluation and exploration assets	56,702	2,029
Exploration and evaluation assets	(143,280)	(13,048)
Net cash (used in) provided by investing activities	(86,578)	(11,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares, net of share issue costs	432,430	-
Promissory note	-	35,000
Repayment of promissory note	(35,315)	-
Share subscription	45,000	-
(Decrease) increase in due to related parties	(92,426)	117,997
Net cash provided by financing activities	349,689	152,997
Increase (Decrease) in cash	16,507	(6,748)
Cash, beginning of the year	4,203	10,951
Cash, end of the year	$ 20,710	$ 4,203
Supplemental disclosure of cash flow information:		
Cash paid (received) for interest	$ 10,072	$ -
Cash paid for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 12)

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

International Montoro Resources Inc. (the "Company") was incorporated on January 30, 1987 under the laws of the Province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "IMT".

The corporate office and principal place of business of the Company is 625 Howe Street, Suite 600, Vancouver, British Columbia, Canada, V6C 2T6.

The Company is in the business of exploring its mineral exploration assets and has not yet determined whether these properties contain ore reserves that are economically recoverable. At August 31, 2018 the Company was in the exploration stage and had interests in properties in Canada.

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern and the recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. There is significant uncertainty regarding the outcome of these matters. The Company has sustained losses from operations, and has an ongoing requirement for capital investment to explore its exploration and evaluation assets. As at August 31, 2018, the Company had a working capital deficiency of $846,241 (August 31, 2017 – $933,683). Based on its current plans, budgeted expenditures, and cash requirements, the Company does not have sufficient cash to finance its current plans. These uncertainties cast substantial doubt about the Company's ability to continue as a going concern. The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company expects to seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on December 28, 2018 by the directors of the Company.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments classified as available-for-sale or fair value through profit and loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency, unless otherwise noted.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

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

Significant estimates made in the preparation of these financial statements include the recoverable value of exploration and evaluation assets, and the valuation of provisions for restoration and environmental liabilities. Actual results may differ from those estimates.

Financial statement areas requiring significant judgment relate to the going concern assessment, impairment of exploration and evaluation assets, recognition of deferred tax assets, determination of cash-generating units, selection of fair value models, and the determination of technical feasibility and commercial viability of mineral properties.

Foreign currency translation

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rate of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or 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 are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale, held-to-maturity, and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified as fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's cash is classified as loans and receivables.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Held-to-maturity financial assets are measured at amortized cost.

Non-derivative other financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's accounts payable and accrued liabilities, due to related parties, and promissory notes are classified as other financial liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs with all other financial assets are included in the initial carrying amount of the asset.

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount is the greater of an asset's fair value less cost to sell and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes

<u>Deferred income tax:</u>

Deferred income tax is provided using the liability 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.

Exploration and Evaluation Assets

The Company is in the exploration stage in respect to its exploration and evaluation assets.

Pre-exploration costs are expensed in the year in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors and depreciation on property and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Where the Company has entered into option agreements for the acquisition of an interest in exploration and evaluation assets which provided for periodic payments, such amounts unpaid are not recorded as a liability when they are payable entirely at the Company's discretion. Although the Company has taken steps to verify title to the exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. The exploration and evaluation assets may be subject to prior undetected agreements or transfers and title may be affected by such defects.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written-off to profit or loss.

The Company assesses exploration and evaluation assets for indications of impairment at each reporting date.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine development cost". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Any incidental revenue earned in connection with exploration activities is applied as a reduction to capitalized exploration costs. Any operational income earned in connection with exploration activities is recognized in the profit or loss.

Mineral exploration and evaluation expenditures are classified as intangible assets.

2. Significant accounting policies and basis of preparation (cont'd)

Provision for Environmental Rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. The Company does not have any provisions for rehabilitation obligations.

Flow-through Shares

The Company may from time to time, issue flow-through common shares to finance 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) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability and deferred tax expense for the amount of tax reduction renounced to the shareholders. The reduction of the flow-through share premium previously recorded is recognized as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act).

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with the Tax Act. When applicable, this tax is accrued as a financial expense until paid.

Share capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares, share warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Loss per Share

The Company applies the "Treasury Stock Method" to calculate loss per common share. Under this method, the basic loss per share is calculated based on the weighted average aggregate number of common shares outstanding during each period. The diluted loss per share assumes that the outstanding stock options and share purchase warrants had been exercised at the beginning of the period and proceeds from dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share warrants and options had an anti-dilutive impact in 2018 and 2017.

(Expressed in Canadian dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants. Any fair value attributed to the warrants is recorded as warrants reserve. If the warrants are exercised, the related amount is reclassified as share capital.

3. New accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the August 31, 2018 reporting period. The following is a brief summary of the new standard:

IFRS 9 Financial Instruments – IFRS 9 is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The standard is effective for annual periods beginning on or after January 1, 2018 and is not expected to have a material effect on the financial statements.

IFRS 15 Revenue from Contracts with Customers - The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

IFRS 16 Leases - IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

4. Amounts recoverable

	August 31, 2018	**August 31, 2017**
Goods and services tax recoverable	$ 18,036	$ 1,196
Quebec sales tax recoverable	3,198	-
	$ 21,234	$ 1,196

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets

	Canada						
	Crackingstone	Orbit Lake	Serpent River	Chuchinka	Duhamel	Other	**Total**
Balance, August 31, 2017	$ 1	$ 1	$ 2,028,504	$ 1	$ -	$ 3	$ 2,028,510
Acquisition costs:							
Additions	-	-	-	-	72,913	-	72,913
Exploration and evaluation costs:							
Geological consulting	-	-	-	-	27,680	-	27,680
Geophysics	-	-	88,600	-	-	-	88,600
Travel, reports and miscellaneous	-	-	5,560	-	3,527	-	9,087
	-	-	94,160	-	31,207	-	125,367
Total expenditures for the year	-	-	94,160	-	104,120	-	198,280
Balance, August 31, 2018	$ 1	$ 1	$ 2,122,664	$ 1	$ 104,120	$ 3	$ 2,226,790

	Canada					
	Crackingstone	Orbit Lake	Serpent River	Chuchinka	Other	**Total**
Balance, August 31, 2016	$ 1	$ 1	$ 2,026,705	$ 1	$ 3	$ 2,026,711
Exploration and evaluation costs:						
Travel, reports and miscellaneous	-	-	1,799	11,249	-	13,048
	-	-	1,799	11,249	-	13,048
Total expenditures for the year	-	-	1,799	11,249	-	13,048
Writedown due to impairment	-	-	-	(11,249)	-	(11,249)
Balance, August 31, 2017	$ 1	$ 1	$ 2,028,504	$ 1	$ 3	$ 2,028,510

5. Exploration and Evaluation Assets (cont'd)

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

a. Crackingstone River Project (Saskatchewan)

The Company and Belmont Resources Inc. ("Belmont") entered into an agreement to acquire a 100% interest (50% interest for the Company) in a 750 hectare claim block in northern Saskatchewan near Uranium City. Terms of the agreement include cash payment of $15,000 (paid) and issuance of 10,000 shares (issued for $12,500). The property is subject to a 2% net smelter royalty. The Company and Belmont have entered into a 50:50 joint venture for this project. The Company together with Belmont entered into an additional agreement to acquire a 100% interest (50% interest for the Company) in an adjoining 232 hectare claim block for $5,000 ($2,500 paid by the Company). In 2013, the Company decided not to continue with the project and wrote down the project to a nominal cost.

b. Orbit Lakes Project (Saskatchewan)

The Company has a 50% interest in 11,109 hectares staked in claim blocks adjoining the Crackingstone Project in northern Saskatchewan. The Company and Belmont have entered into a 50:50 joint venture for this project. In 2013, the Company decided not to continue with the project and wrote down the project to a nominal cost.

c. Serpent River Project (Ontario)

The Company entered into an agreement to acquire a 100% interest in ten mining claims in the Sault Ste. Marie Mining Division, Elliot Lake area, in Northern Ontario. Terms of the agreement include the issuance of 100,000 common shares at a value of $91,000 (issued) and $500,000 in cash (paid). In addition, there is a 2.0% net smelter return relating to the acquisition. The Company may at any time purchase 1.0% of the NSR for $1.5 million. A finders' fee of 5,000 common shares valued at $8,550 and $25,000 cash has been paid.

d. Chuchinka Project (British Columbia)

The Company entered into an agreement to acquire a 100% interest in four mining claims in the Cariboo Mining District, British Columbia. Terms of the agreement include the issuance of a total 200,000 common shares (200,000 issued for $60,000), issuance of non-transferable warrants, valued at $56,150, for the right to purchase an additional 200,000 shares at a price of $0.50 in the first year and $0.75 in the second year (issued), and $50,000 in cash payments (paid). In addition, there is a 2.0% net smelter return relating to the acquisition. The Company may at any time purchase 1.0% of the NSR for $1.0 million. A finders' fee of a total of 16,000 common shares (16,000 issued for $4,000) and $4,000 cash was paid.

The Company acquired an additional mineral claim covering 449 hectares in the Cariboo Mining District. Terms of the agreement include the issuance of a total 40,000 common shares (40,000 issued for $16,000), issuance of non-transferable warrants valued at $4,797, for the right to purchase an additional 20,000 shares at a price of $0.50 in the first year and $0.75 in the second year, and $6,250 in cash payments (paid). In addition, there is a 2.0% net smelter return relating to the acquisition. The Company may at any time purchase 1.0% of the NSR for $1.0 million. A finders' fee of a total of 3,200 common shares (3,200 issued for $1,280) and $500 cash was paid. In 2016 the Company determined that it is unlikely to conduct additional exploration on the property in the near future and as a result has recognized an impairment of $90,928 during the year ended August 31, 2016 and an additional impairment of $11,249 during the year ended August 31, 2017.

(Expressed in Canadian dollars)

5. Exploration and Evaluation Assets (cont'd)

e. Duhamel Property (Quebec)

On January 24, 2018 the Company entered into an agreement to acquire a 100% interest in nine GESM mineral cells in Quebec known as the Duhamel Property. Terms of the agreement are as follows:

(a) Payment of $10,000 upon signing of the agreement (paid);

(b) Issuance of an aggregate of 1,000,000 common shares of the Company (issued at a value of $55,000);

(c) Payment of an additional $50,000, or at the discretion of the Company, additional shares at 12 months from Exchange approval;

(d) Payment of an additional $50,000, or at the discretion of the Company, additional shares at 24 months from Exchange approval;

(e) Incurring or funding $150,000 in exploration expenditures on the Duhamel Property:

- (i) $25,000 on or before 12 months from Exchange approval (incurred);
- (ii) An additional $50,000 on or before 24 months from Exchange approval; and
- (iii) An additional $75,000 on or before 36 months from Exchange approval.

Finders fees are payable as follows:

(a) Payment of $1,000 upon signing of the agreement (paid);
(b) Payment of $5,000 within five days of TSX approval (paid);
(c) Payment of $5,000 12 months from Exchange approval, provided the Company has not terminated the agreement;
(d) Payment of $5,000 24 months from Exchange approval, provided the Company has not terminated the agreement.

During the year the Company staked an additional 32 claims adjacent to the existing claim block.

6. Accounts payable and accrued liabilities

	August 31, 2018	August 31, 2017
Accounts payable	$ 268,389	$ 216,013
Accrued liabilities	21,000	20,900
Part X.II tax payable	3,254	-
	$ 292,643	$ 236,913

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

7. Share capital (cont'd)

Issued share capital

On August 1, 2017 the Company consolidated its capital on a 5 old shares for 1 new share basis. All share figures, number of options and warrants have been presented on a post consolidated basis.

At August 31, 2018 there were 25,097,105 issued and fully paid common shares (August 31, 2017 – 15,252,105).

Issuances

On July 27, 2018 the Company issued 140,000 shares valued at $5,600 as bonus shares in connection with a loan advanced by a non-related party.

On February 6, 2018 the Company issued a total of 1,000,000 common shares valued at $55,000 to acquire a mineral property.

On January 5, 2018 the Company issued a total of 3,900,000 units at $0.05 per unit for total gross proceeds of $195,000. The unit financing consisted of one common share and one transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share until January 5, 2020. Finder's fees of $5,600 cash were paid and 112,000 non-transferable broker's warrants were paid. The broker's warrants were valued at $5,580 using volatility of 163.78%, interest rate of 1.84% and dividend yield of 0.00%.The warrant has the same terms as above.

On December 27, 2017 the Company issued a total of 2,155,000 flow-through units at $0.055 per unit for total gross proceeds of $118,525. The unit financing consisted of one common share and one transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share until December 27, 2019. Finder's fees of $4,795 cash were paid and 87,200 non-transferable broker's warrants were paid. The broker's warrants were valued at $2,898 using volatility of 163.78%, interest rate of 1.66% and dividend yield of 0.00%.The warrant has the same terms as above.

On October 12, 2017 the Company issued a total of 2,650,000 units at $0.05 per unit for total gross proceeds of $132,500. The unit financing consisted of one common share and one transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share until October 12, 2019. Finder's fees of $3,200 cash were paid and 92,000 non-transferable broker's warrants were paid. The warrants were valued at $4,165 using volatility of 162.88%, interest rate of 1.58% and dividend yield of 0.00%. The broker's warrant has the same terms as above.

On December 14, 2016 the Company issued 12,000 shares valued at $1,200 as bonus shares in connection with a loan advanced by a non-related party.

On October 28, 2016 the Company issued 196,000 units to settle debt in the amount of $48,398. Each unit consisted of one common share and one non-transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.35 per share for twelve months to October 28, 2017 and thereafter at a price of $0.50 from October 28, 2017 until October 28, 2018. The units were valued at fair market of $30,964 resulting in a gain on settlement of $17,434.

(Expressed in Canadian dollars)

7. Share capital (cont'd)

Stock options

The Company has 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 TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the years ended August 31, 2018 and 2017 are as follows:

	August 31, 2018		August 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	380,000	$ 0.27	870,000	$ 0.26
Options granted	2,005,000	0.06	-	-
Options expired	(70,000)	0.35	(490,000)	0.25
Options outstanding, end of period	2,315,000	$ 0.09	380,000	$ 0.27
Options exercisable, end of period	2,315,000	$ 0.09	380,000	$ 0.27

Details of options outstanding as at August 31, 2018 are as follows:

Weighted average exercise price ($)	Weighted average contractual life	Number of options outstanding
0.06	2.39 years	2,005,000
0.25	0.68 years	310,000
0.09	2.16 years	2,315,000

The weighted average fair value of options granted during the year ended August 31, 2018 was $0.06 (August 31, 2017 - $nil). The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	August 31, 2018
Expected life of options	3 years
Annualized volatility	156.49%
Risk-free interest rate	1.84%
Dividend rate	0%

Volatility is calculated based on the historical trading price of the Company's shares.

(Expressed in Canadian dollars)

7. Share capital (cont'd)

Warrants

The changes in warrants during the years ended August 31, 2018 and 2017 are as follows:

	August 31, 2018		August 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	1,350,000	$ 0.48	2,725,480	$ 0.35
Issued	8,996,200	0.10	196,000	0.35
Expired	(1,154,000)	0.50	(1,571,480)	0.35
Balance, end of year	9,192,200	$ 0.10	1,350,000	$ 0.48

Details of warrants outstanding as at August 31, 2018 are as follows:

Date of expiry	Number	Exercise Price $
October 28, 2018	196,000	0.10
October 12, 2019	2,742,000	0.10
December 27, 2019	2,242,200	0.10
January 5, 2020	4,012,000	0.10
	9,192,200	

8. Reserves

The reserves recorded on the Company's statement of financial position are composed of the value of stock option grants and share purchase warrants prior to exercise at which time the corresponding amount will be transferred to share capital. The Company uses the Black Scholes model to determine the fair value of stock option grants and share purchase warrants.

9. Related party transactions

Related party balances

The following amounts are due to related parties:

	August 31, 2018	August 31, 2017
CEO/President	$ 240,014	$ 357,087
Company with directors and officers in common	128,706	102,746
	$ 368,720	$ 459,833

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended August 31, 2017 a director advanced $20,000 to the Company which is included in promissory notes. Terms include interest of 12% per annum, compounded monthly and repayable on demand. The loan principal and accrued interest of $1,346 was paid in December 2017.

During the year ended August 31, 2018 the CEO/President assigned and decreased his amount owing in management fees by $100,000 to non-related parties.

(Expressed in Canadian dollars)

9. Related party transactions (cont'd)

Related party transactions

The Company incurred the following transactions with a company related by common directors.

	August 31, 2018	August 31, 2017
Rent	$ 28,200	$ 28,200
Office, secretarial, and benefits	11,292	12,233
	$ 39,492	$ 40,433

Key management personnel compensation

	August 31, 2018	August 31, 2017
Short-term employee benefits – management fees	$ 60,000	$ 60,000
	$ 60,000	$ 60,000

Effective February 1, 2012 the Company signed a renewal and Amendment to the Management Agreement effectively increasing the salary from $4,500 to $5,000 per month and continue for a term of twenty-four (24) months. In February 2014 the agreement was renewed for an additional two years and in February 2016 the agreement was renewed for an additional two years.

10. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

The Company is exposed to credit risk by holding cash. Holding the cash in large Canadian financial institutions minimizes this risk. The Company has minimal accounts receivable exposure, and its various refundable credits are due from the Canadian government.

Currency Risk

The Company's functional currency is the Canadian dollar. The Company has a $31,000 US promissory note and $41,250 US in accrued interest. A 5% change in the foreign exchange rate will have an immaterial effect on operations.

Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates. The Company pays interest on loans at a fixed interest rate which does not pose an interest rate risk. Currently, this risk will have an immaterial effect on operations.

10. Financial risk management (cont'd)

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices which may affect financing options available to the Company.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company manages this risk by careful management of its working capital and deferring related party payables.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at August 31, 2018 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

Capital Management

The Company is engaged in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental issues and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

The Company includes cash and equity in the definition of capital. Equity is comprised of issued common shares, reserves, and deficit.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to anyexternally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

There were no changes in the Company's approach to capital management during the year.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Management believes that the recorded values of all cash, amounts recoverable, accounts payable, promissory notes, and amounts due to related parties approximate their current fair values because of their nature and anticipated settlement dates.

(Expressed in Canadian dollars)

11. Promissory Notes

On May 1, 2014, the Company entered into an unsecured promissory note agreement with an arm's length party to borrow $50,000 US. Terms of the agreement are interest of 2½% per month and the issuance of 10% in bonus shares (issued 21,000 shares valued at $5,250). The loan is repayable upon demand. During the year ended August 31, 2018, the Company entered into a shares for debt agreement to settle a total of $121,243 CAD of principal and accrued interest in consideration for 1,000,000 common shares issued at $0.05 per share and a cash payment of $50,000 CAD. The Company paid $25,243 CAD to date against the principal and realized a gain on debt settlement of $21,243. The shares were issued on September 13, 2018. On August 31, 2018, the Company had a loan and accrued loan interest payable of $74,757 (August 31, 2017 – $109,793). See Note 14.

On November 10, 2015, the Company entered into an unsecured promissory note agreement with an arm's length party to borrow $75,000. Terms of the agreement are interest of 18% per annum, compounded quarterly, and the issuance of 20% in bonus shares (issued 60,000 shares valued at $9,000). The loan is for a term of one year, after which it will be repayable on demand. During the year ended August 31, 2018, the Company accrued $19,834 in interest and interest payable (year ended August 31, 2017 - $16,637). On August 31, 2018 the Company had $47,859 of interest payable (year ended August 31, 2017 - $28,025).

On December 13, 2016 the Company entered into an unsecured demand promissory agreement with an arm's length party to borrow $15,000. Terms of the agreement are interest at 1.5% per month and the issuance of 10% in bonus shares (issued 12,000 shares valued at $1,200). The loan is repayable upon demand. The loan and accrued interest of $2,301 was paid in full during the year.

On May 30, 2017 the Company received $20,000 from a director. Terms include interest of 12% per annum, compounded monthly and repayable on demand. During the year the Company accrued interest of $728 (year ended August 31, 2017 - $618). A total of $21,346 was paid, including $1,346 in accrued interest.

On July 27, 2018 the Company entered into an unsecured demand promissory agreement with an arm's length party to borrow $35,000. Terms of the agreement are interest at 1.5% per month and the issuance of 20% in bonus shares (issued 140,000 shares valued at $5,600). The loan is repayable upon demand. During the year the Company accrued $745 interest payable.

12. Supplemental disclosure with respect to cash flows

During the years ended August 31, 2018 and 2017, the Company incurred the following non-cash financing and investing transactions that are not reflected in the statement of cash flows:

	August 31, 2018 $	**August 31, 2017 $**
Non-cash financing and investing activities:		
Issuance of share capital for:		
Bonus shares	5,600	1,200
Fair value of units issued to settle accounts payable related to exploration and evaluation assets	-	30,964
Shares issued for property	55,000	-
Fair value of brokers' warrants	12,643	-

(Expressed in Canadian dollars)

13. Income Taxes

Income tax expense varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	August 31, 2018	August 31, 2017
Net loss before income taxes for the year	$ (370,532)	$ (193,339)
Statutory Canadian corporate tax rate	26.67%	26.00%
Anticipated tax expense (recovery)	(98,821)	(50,268)
Unrecognized items for tax purposes	32,834	1,898
Effect of tax rate change	(76,394)	-
Tax benefit not realized	142,381	48,370
Actual income tax recovery	$ -	$ -

The significant components of the Company's deferred tax assets are as follows:

	August 31, 2018	August 31, 2017
Acquisition and exploration deductions	$ 1,113,525	$ 1,072,283
Share issue costs	4,169	2,126
Non-capital loss carry forwards	981,354	879,032
Net capital loss carry forwards	12,026	11,581
Equipment	-	-
	2,111,074	1,965,022
Deferred tax assets not recognized	(2,111,074)	(1,965,022)
Net deferred tax assets	$ -	$ -

The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized the non-capital losses in the amount of $3,655,800 expire as follows:

2026	$ 150,100
2027	368,100
2028	409,400
2029	324,600
2030	340,800
2031	320,600
2032	245,900
2033	143,200
2034	213,800
2035	383,300
2036	278,700
2037	202,300
2038	275,000
	$ 3,655,800

At August 31, 2018 the Company has unclaimed resource and other deductions that do not expire in the amount of $6,350,955 (2017 - $6,152,675) which may be deducted against future taxable income on a discretionary basis.

In addition, the Company has available capital losses for Canadian income tax purposes totaling $89,081 (2017 - $89,081) which may be carried forward indefinitely to reduce capital gains in future years.

13. Income Taxes (cont'd)

In addition, the Company has share issue costs totaling $15,441 (2017 - $8,178) which have not been claimed for income tax purposes.

Deferred tax benefits, which may arise as a result of applying these deductions to taxable income have not been recognized in these accounts.

14. Subsequent Events

On September 13, 2018 the Company issued 1,000,000 common shares to settle debt of $50,000.

On September 18, 2018 the Company issued a total of 1,660,000 units at $0.05 per unit for total gross proceeds of $83,000. The unit financing consisted of one common share and one two year transferable common share purchase warrant. One warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.06 per share until September 18, 2019 and thereafter at a price of $0.08 per share until September 18, 2020.

On October 18, 2018 the Company received TSX Venture Exchange acceptance for the repricing of 7,905,000 transferable share purchase warrants attached to three private placements completed in 2017 and 2018. The following warrants will be repriced to $0.06 and $0.065, but the expiry dates of the amended warrants will not be extended past their 2019 and 2020:

- October 12, 2019 - 2,250,000 warrants exercise price from $0.10 to a revised $0.065 cents;
- December 27, 2019 – 2,155,000 warrants exercise price from $0.10 to a revised $0.065 cents;
- January 5, 2020 – 3,500,000 warrants exercise price from $0.10 to a revised $0.06 cents.

On October 28, 2018 a total of 196,000 warrants exercisable at $0.50 per share expired unexercised.