INTERNATIONAL MONTORO RESOURCES INC.

Financial Statements

Years ended August 31, 2019 and 2018

Expressed in Canadian Dollars

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Independent Auditor's Report

To the Shareholders of International Montoro Resources Inc.

Opinion

We have audited the financial statements of International Montoro Resources Inc. ("the Company"), which comprise the statements of financial position as at August 31, 2019 and August 31, 2018 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and August 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Keith L. Gagnon.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
December 18, 2019

INTERNATIONAL MONTORO RESOURCES INC.
Statements of Financial Position
(Expressed in Canadian dollars)

	Notes		August 31, 2019		August 31, 2018
ASSETS					
Current assets					
Cash		$	11,791	$	20,710
Amounts recoverable	4		9,904		21,234
Due from related party			1,313		1,313
Prepaid expenses and deposits			3,926		5,226
			26,934		48,483
Non-current assets					
Exploration and evaluation assets	5		2,515,464		2,226,790
		$	2,542,398	$	2,275,273
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	6	$	282,106	$	292,643
Promissory notes	9 and 11		172,403		233,361
Due to related parties	9		389,508		368,720
			844,017		894,724
Shareholders' equity					
Share capital	7		11,921,457		11,206,005
Share subscription advance			400		45,400
Reserves	8		1,101,766		1,080,624
Deficit			(11,325,242)		(10,951,480)
			1,698,381		1,380,549
		$	2,542,398	$	2,275,273

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)

		Years ended	
	Notes	August 31, 2019	August 31, 2018
Expenses			
Bank and interest charges		$ 3,655	$ 4,742
Bonus shares	11	-	5,600
Consulting fees		30,350	6,826
Filing and transfer agent fees		37,416	25,802
Loan interest	11	28,799	39,494
Management fees	9	60,000	60,000
Office and miscellaneous	9	7,755	7,555
Professional fees		56,842	61,266
Rent	9	28,200	28,200
Salaries and benefits	9	5,383	5,954
Share-based payment	7		
Directors		-	51,595
Consultants		20,963	66,629
Telephone		1,971	2,010
Travel and promotion		92,427	22,848
Total expenses		(373,761)	(388,521)
Other income (loss):			
Part XII.6 tax		-	(3,254)
Impairment of exploration and evaluation assets	5	(1)	-
Gain on debt settlement	11	-	21,243
		(1)	17,989
Net and total comprehensive loss for the year		$ (373,762)	$ (370,532)
Weighted average number of common shares outstanding (basic and diluted)		31,770,721	22,176,310
Basic and diluted net loss per share		$ (0.01)	$ (0.02)

The accompanying notes are an integral part of these financial statements

INTERNATIONAL MONTORO RESOURCES INC.

Statements of Changes in 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, 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 to acquire exploration and evaluation assets	1,000,000	55,000	-		-	-	55,000
Shares issued for bonus shares	140,000	5,600					5,600
Share issue costs	-	(13,595)	-	-	-	-	(13,595)
Premium on flow-through shares	-	-	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**
Balance at August 31, 2018	25,097,105	$ 11,206,005	$ 45,400	$ 1,019,628	$ 60,996	$ (10,951,480)	$ 1,380,549
Loss for the year	-	-	-	-	-	(373,762)	(373,762)
Shares issued pursuant to private placement	6,960,000	348,000	(45,000)	-	-	-	303,000
Shares issued pursuant to option exercise	550,000	30,750	-	-	-	-	30,750
Shares issued pursuant to warrant exercise	2,600,000	160,525	-	-	-	-	160,525
Units issued for debt settlement	1,000,000	50,000	-	-	-	-	50,000
Shares issued for property acquisition	1,000,000	60,000	-	-	-	-	60,000
Units issued for property acquisition	1,000,000	50,000	-	-	23,356	-	73,356
Share issue costs	-	(7,000)	-	-	-	-	(7,000)
Transfers from reserves pursuant to option exercise	-	26,859	-	(26,859)	-	-	-
Share-based payment charges	-	-	-	20,963	-	-	20,963
Fair value of warrants issued	-	(3,682)	-	-	3,682	-	-
Balance at August 31, 2019	**38,207,105**	**$ 11,921,457**	**$ 400**	**$ 1,013,732**	**$ 88,034**	**$ (11,325,242)**	**$ 1,698,381**

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, 2019	Years ended August 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (373,762)	$ (370,532)
Adjustments to reconcile loss to net cash used in operating activities:		
Bonus shares	-	5,600
Share-based payment	20,963	118,224
Interest accrued on loans and payables	28,799	39,494
Impairment of exploration and evaluation assets	1	-
Gain on settlement of debt	-	(21,243)
Changes in non-cash items:		
Decrease (increase) in amounts recoverable	11,330	(20,038)
Decrease (increase) in prepaid expenses and deposits	1,300	2,863
Increase (decrease) in accounts payable and accrued liabilities	9,000	(972)
Net cash used in operating activities	(302,369)	(246,604)
CASH FLOWS FROM INVESTING ACTIVITIES		
Accounts payable and due to related parties related to evaluation and exploration assets	(19,537)	56,702
Exploration and evaluation assets	(155,319)	(143,280)
Net cash used in investing activities	(174,856)	(86,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares, net of share issue costs	487,275	432,430
Repayment of promissory note	(39,757)	(35,315)
Share subscription	-	45,000
(Decrease) increase in due to related parties	20,788	(92,426)
Net cash provided by financing activities	468,306	349,689
Increase (Decrease) in cash	(8,919)	16,507
Cash, beginning of the year	20,710	4,203
Cash, end of the year	$ 11,791	$ 20,710
Supplemental disclosure of cash flow information:		
Cash paid (received) for interest	$ 8,584	$ 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, 2019 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, 2019, the Company had a working capital deficiency of $817,083 (August 31, 2018 – $846,241). 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 18, 2019 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 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. Significant judgements include assessment of going concern assumption, 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.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operations and comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Share-based payment

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 payment 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 contributed surplus. 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. All equity-settled share-based payment is reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Amendments to IFRS 2 Share-based Payment were effective January 1, 2018 and had no significant impact on the financial statements.

Financial instruments

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments ("IFRS 9") as of September 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

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

Financial instruments (cont'd)

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in profit or loss in the statement of comprehensive loss for the period. Financial assets and financial liabilities classified at amortized cost are using the effective interest method.

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

Financial assets/liabilities	Original classification (measurement) IAS 39	New classification and measurement IFRS 9
Cash	Loans and receivables (amortized cost)	Amortized cost
Due from related party	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Promissory notes	Other financial liabilities (amortized cost)	Amortized cost
Due to related parties	Other financial liabilities (amortized cost)	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on September 1, 2018.

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

Impairment of assets

The carrying amount of the Company's assets (which include property and equipment and 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 of assets 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.

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.

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

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.

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.

(Expressed in Canadian dollars)

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

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 2019 and 2018.

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, 2019 reporting period. The following is a brief summary of the new standard:

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. Adoption of the new standard is not expected to impact the financial statements

4. Amounts recoverable

	August 31, 2019	August 31, 2018
Goods and services tax recoverable	$ 6,706	$ 18,036
Quebec sales tax recoverable	3,198	3,198
	$ 9,904	$ 21,234

(Expressed in Canadian dollars)

5. Exploration and evaluation assets

	Canada							
	Crackingstone	Orbit Lake	Serpent River	Chuchinka	Duhamel	Wicheeda	Other	**Total**
Balance, August 31, 2018	$ 1	$ 1	$ 2,122,664	$ 1	$ 104,120	$ -	$ 3	$ 2,226,790
Acquisition costs:								
Additions								
Cash	-	-	-	-	5,000	35,055	-	40,055
Shares	-	-	-	-	60,000	-	-	60,000
Units	-	-	-	-	-	73,356	-	73,356
	-	-	-	-	65,000	108,411	-	173,411
Exploration and evaluation costs:								
Assays and testing	-	-	-	-	-	17,303	-	17,303
Geological consulting	-	-	250	-	-	34,722	-	34,972
Geophysics	-	-	13,153	-	-	13,050	-	26,203
Travel, reports and miscellaneous	-	-	11,300	-	-	25,486	-	36,786
	-	-	24,703	-	-	90,561	-	115,264
Total expenditures for the year	-	-	24,703	-	65,000	198,972	-	288,675
Writedown due to impairment	-	(1)	-	-	-	-	-	(1)
Balance, August 31, 2019	$ 1	$ -	$ 2,147,367	$ 1	$ 169,120	$ 198,972	$ 3	$ 2,515,464

	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

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 had a 50% interest in 11,109 hectares staked in claim blocks adjoining the Crackingstone Project in northern Saskatchewan. The Company and Belmont had 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. On January 14, 2019 the claims lapsed and reverted back to the Saskatchewan government and the nominal cost of the project was written off.

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.

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 (issued 1,000,000 shares at a value of $60,000);
(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 (paid);
(d) Payment of $5,000 24 months from Exchange approval, provided the Company has not terminated the agreement.

During 2018, the Company staked an additional 32 claims adjacent to the existing claim block.

f. Wicheeda North Property (British Columbia)

On January 31, 2019 the Company entered into an agreement to acquire a 100% interest in four mineral claims located in the Cariboo Mining Division northeast of Prince George, British Columbia. Terms of the agreement are as follows:

(a) Payment of a total of $50,000 as follows:
i. $25,000 upon Exchange approval of the agreement (paid);
ii. $25,000 within one year of signing the agreement

(b) Issuance of an aggregate of 1,000,000 units of the Company upon Exchange approval. Each unit consists of one common share and one transferable share purchase warrant entitling the holder to acquire one common share at a price of $0.10 until May 29, 2021. The shares were valued at $50,000 and the warrants were valued at $23,356 using volatility of 119.90%, interest rate of 1.53% and dividend yield of 0.00%;

(c) Payment of 2% Net Smelter Return Royalty ("NSR"). The Company may acquire one-half of the NSR for $1 million within five years of the Agreement Date.

(Expressed in Canadian dollars)

6. Accounts payable and accrued liabilities

	August 31, 2019	August 31, 2018
Accounts payable	$ 246,352	$ 268,389
Accrued liabilities	32,500	21,000
Part XII.6 tax payable	3,254	3,254
	$ 282,106	$ 292,643

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

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, 2019 there were 38,207,105 issued and fully paid common shares (August 31, 2018 – 25,097,105).

Issuances

During the year the Company issued a total of 2,600,000 common shares pursuant to the exercise of share purchase warrants at prices between $0.06 and $0.065 for total proceeds of $160,525.

During the year the Company issued at total of 550,000 common shares pursuant to the exercise of stock options at a prices of $0.055 and $0.06 per share for total proceeds of $30,750. The fair value of $26,859 was transferred from option reserves to share capital. The average trading share prices on the dates of exercise of these options were $0.06 and $0.045

On July 25, 2019 the Company issued a total of 950,000 units at $0.05 per unit for total gross proceeds of $47,500. 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 $0.08 per share until July 25, 2021. Finder's fees of $3,000 cash were paid and 60,000 non-transferable broker's warrants were paid. The broker's warrants were valued at $1,182 using volatility of 109.22%, interest rate of 1.55% and dividend yield of 0.00%.The warrant has the same terms as above.

On May 29, 2019 the Company issued 1,000,000 units valued at $50,000 pursuant to a property acquisition. The unit consists 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 $0.10 per share until May 29, 2021. The warrants were valued at $23,356 using volatility of 119.90%, interest rate of 1.53% and dividend yield of 0.00%.

On April 4, 2019 the Company issued a total of 2,050,000 units at $0.05 per unit for total gross proceeds of $102,500. 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 April 4, 2021. Finder's fees of $4,000 cash were paid and 80,000 non-transferable broker's warrants were paid. The broker's warrants were valued at $2,500 using volatility of 123.28%, interest rate of 1.46% and dividend yield of 0.00%.The warrant has the same terms as above.

7. Share capital (cont'd)

On March 21, 2019 the Company issued a total of 2,300,000 units at $0.05 per unit for total gross proceeds of $115,000. 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 March 20, 2021.

On February 19, 2019 the Company issued a total of 1,000,000 common shares valued at $60,000 to acquire a mineral property.

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

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.

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.

(Expressed in Canadian dollars)

7. Share capital (cont'd)

Stock options

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, 2019 and year ended August 31, 2018 are as follows:

	August 31, 2019		August 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	2,315,000	$ 0.09	380,000	$ 0.27
Options granted	450,000	0.055	2,005,000	0.06
Options exercised	(550,000)	0.055	-	-
Options expired	(310,000)	0.25	(70,000)	0.35
Options outstanding, end of year	1,905,000	$ 0.06	2,315,000	$ 0.09
Options exercisable, end of year	1,905,000	$ 0.06	2,315,000	$ 0.09

Details of options outstanding as at August 31, 2019 are as follows:

Weighted average exercise price ($)	Weighted average contractual life	Number of options outstanding
0.06	1.39 years	1,905,000

The weighted average fair value of options granted during the year ended August 31, 2019 was $0.05 (August 31, 2018 - $0.06). The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	August 31, 2019	August 31, 2018
Expected life of options	3 years	3 years
Annualized volatility	135.51%	156.49%
Risk-free interest rate	1.92%	1.84%
Dividend rate	0%	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, 2019 and 2018 are as follows:

	August 31, 2019		August 31, 2018	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Balance, beginning of year	9,192,200	$ 0.10	1,350,000	$ 0.48
Issued	8,100,000	0.09	8,996,200	0.10
Exercised	(2,600,000)	0.06	-	-
Expired	(196,000)	0.10	(1,154,000)	0.50
Balance, end of year	14,496,200	$ 0.08	9,192,200	$ 0.10

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. Certain warrants have been repriced to $0.06 and $0.065, but the expiry dates of the amended warrants are not extended past their 2019 and 2020 original expiry dates.

Details of warrants outstanding as at August 31, 2019 are as follows:

Date of expiry	Number	Exercise Price
		$
October 12, 2019	1,345,000	0.065
October 12, 2019	492,000	0.10
December 27, 2019	2,155,000	0.065
December 27, 2019	87,200	0.10
January 5, 2020	2,000,000	0.06
January 5, 2020	512,000	0.10
September 18, 2019 September 18, 2020	1,465,000	0.06 0.08
March 20, 2021	2,300,000	0.10
April 4, 2021	2,130,000	0.10
May 29, 2021	1,000,000	0.10
July 25, 2021	1,010,000	0.08
	14,496,200	

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.

(Expressed in Canadian dollars)

9. Related party transactions

Related party balances

The following amounts are due to related parties:

	August 31, 2019	August 31, 2018
CEO/President	$ 268,514	$ 240,014
Company with directors and officers in common	120,994	128,706
	$ 389,508	$ 368,720

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.

Related party transactions

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

	For the year ended August 31, 2019	August 31, 2018
Rent	$ 28,200	$ 28,200
Office, secretarial, and benefits	11,422	11,292
	$ 39,622	$ 39,492

Key management personnel compensation

	For the year ended August 31, 2019	August 31, 2018
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 continuation for a term of twenty-four (24) months. In February 2014, 2016, and 2018 the agreement was renewed for an additional two years and will automatically renew unless terminated as detailed in the agreement.

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.

10. Financial risk management (cont'd)

Currency Risk

The Company's functional currency is the Canadian dollar. There is minimal foreign exchange risk to the Company as its mineral property interests are located in Canada. Management monitors its foreign currency balances and make adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

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.

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, 2019 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 any externally 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.

10. Financial risk management (cont'd)

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, accounts payable and accrued liabilities, promissory notes, and amounts due to related parties approximate their current fair values because of their nature and anticipated settlement dates.

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. During the year the Company paid the balance of the loan and accrued loan interest payable of $24,757.

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, 2019, the Company accrued $23,653 in interest and interest payable (August 31, 2018 - $19,834). On August 31, 2019, the Company had $71,512 of interest payable (August 31, 2018 - $47,859).

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 ended August 31, 2018, the Company recorded interest expense of $728. A total of $21,346 was paid in the year ended August 31, 2018, 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 period the Company made a $15,000 payment against the principal. On August 31, 2019 Company had accrued $5,891 in interest payable (August 31, 2018 - $745).

(Expressed in Canadian dollars)

12. Supplemental disclosure with respect to cash flows

During the years ended August 31, 2019 and 2018, the Company incurred the following non-cash financing and investing transactions that are not reflected in the statement of cash flows:

	August 31, 2019 $	August 31, 2018 $
Non-cash financing and investing activities:		
Issuance of share capital for:		
Shares issued for property	110,000	55,000
Debt settlement	50,000	-
Bonus shares	-	5,600
Fair value of brokers' warrants	3,682	12,643
Fair value of property warrants	23,356	-

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, 2019	August 31, 2018
Net loss before income taxes for the year	$ (373,762)	$ (370,532)
Statutory Canadian corporate tax rate	27.00%	26.67%
Anticipated tax expense (recovery)	(100,916)	(98,821)
Unrecognized items for tax purposes	9,398	32,834
Effect of tax rate change	-	(76,394)
Tax benefit not realized	91,518	142,381
Actual income tax recovery	$ -	$ -

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

	August 31, 2019	August 31, 2018
Acquisition and exploration deductions	$ 1,113,525	$ 1,113,525
Share issue costs	6,983	4,169
Non-capital loss carry forwards	1,069,271	981,354
Net capital loss carry forwards	12,026	12,026
	2,201,805	2,111,074
Deferred tax assets not recognized	(2,201,805)	(2,111,074)
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 $3,960,300 expire as follows:

(Expressed in Canadian dollars)

13. Income Taxes (cont'd)

2026	$	128,900
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		250,500
2039		350,200
	$	3,960,300

At August 31, 2019 the Company has unclaimed resource and other deductions that do not expire in the amount of $6,639,630 (2018 - $6,350,955) 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 (2018 - $89,081) which may be carried forward indefinitely to reduce capital gains in future years.

In addition, the Company has share issue costs totaling $25,864 (2018 - $15,441) 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

Subsequent to August 31, 2019, a total of 1,837,000 warrants exercisable at prices between $0.065 and $0.10 expired unexercised.

On October 24, 2019, the Company received TSX Venture Exchange conditional approval of the Warrant Exercise Incentive Program to encourage the early exercise of certain outstanding warrants (the "Original Warrants"). Under the proposed program, holders of the Original Warrants (2,155,000 at $0.065 expiring December 27, 2019 & 2,400,000 at $0.06 expiring January 5, 2020) would have been entitled to receive one common share and one replacement warrant (the "Replacement Warrant") as consideration for agreeing to exercise their Original Warrant by November 18, 2019 – 30 days from the Company's October 18, 2019 initial news release announcing the program. The Replacement Warrants would have been exercisable into common shares at $0.075 for a one year period. No warrants were exercised under this program and all warrants are now subject to their original terms and expiry dates.

On December 9, 2019 the Company entered into an agreement to acquire up to 75% interest in five mineral claims in Red Lake Mining District, Ontario, subject to TSX Venture Exchange (the "Exchange") acceptance. To earn 51% interest the Company will issue 1,000,000 common shares upon Exchange acceptance and issue a further 500,000 common shares on the first anniversary of Exchange acceptance. The Company will make staged cash payments totaling $65,000 over four years, incur $100,000 in exploration expenditures before October 31, 2020, and a further $200,000 in expenditures by October 31, 2021. Upon earning the initial 51% interest, the Company has the option to acquire a further 24% for a cash payment of $500,000. The agreement is subject to a 2% net smelter royalty to the vendors.