Toll free 1.800.667.1870 or 604.685.1870
101 – 2148 West 38th Avenue, Vancouver, B.C. Canada V6M 1R9

# EL NINO VENTURES INC.

## MANAGEMENT DISCUSSION AND ANALYSIS
## FOR THE SECOND QUARTER ENDED 31 JULY 2019

**September 4, 2019**

*The following management discussion and analysis ("MD&A") should be read in conjunction with the audited financial statements and accompanying notes ("Financial Statements") of El Nino Ventures Inc. (the "Company") for the period ended 31 July 2019. Results have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts are reported in Canadian dollars unless otherwise indicated.*

*For further information on the Company reference should be made to the Company's public filings which are available on SEDAR. Further information is also available on the Company's website at www.elninoventures.com .*

*This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.*

## 1. Overview of the Company

El Nino Ventures Inc. (the “Company”, “ELN”) was incorporated on 19 February 1988 under the laws of the Province of British Columbia, Canada. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties in Canada. The Company has its registered corporate office based in Vancouver, British Columbia, Canada.

As at 31 July 2019, the Company had 61,611,966 common shares outstanding, with a total market capitalization of approximately $2,402,867. The Company shares trade on the TSX Venture Exchange (“ELN”), OTC Pink (“ELNOF”) and the Frankfurt Stock Exchange (“E7Q”).

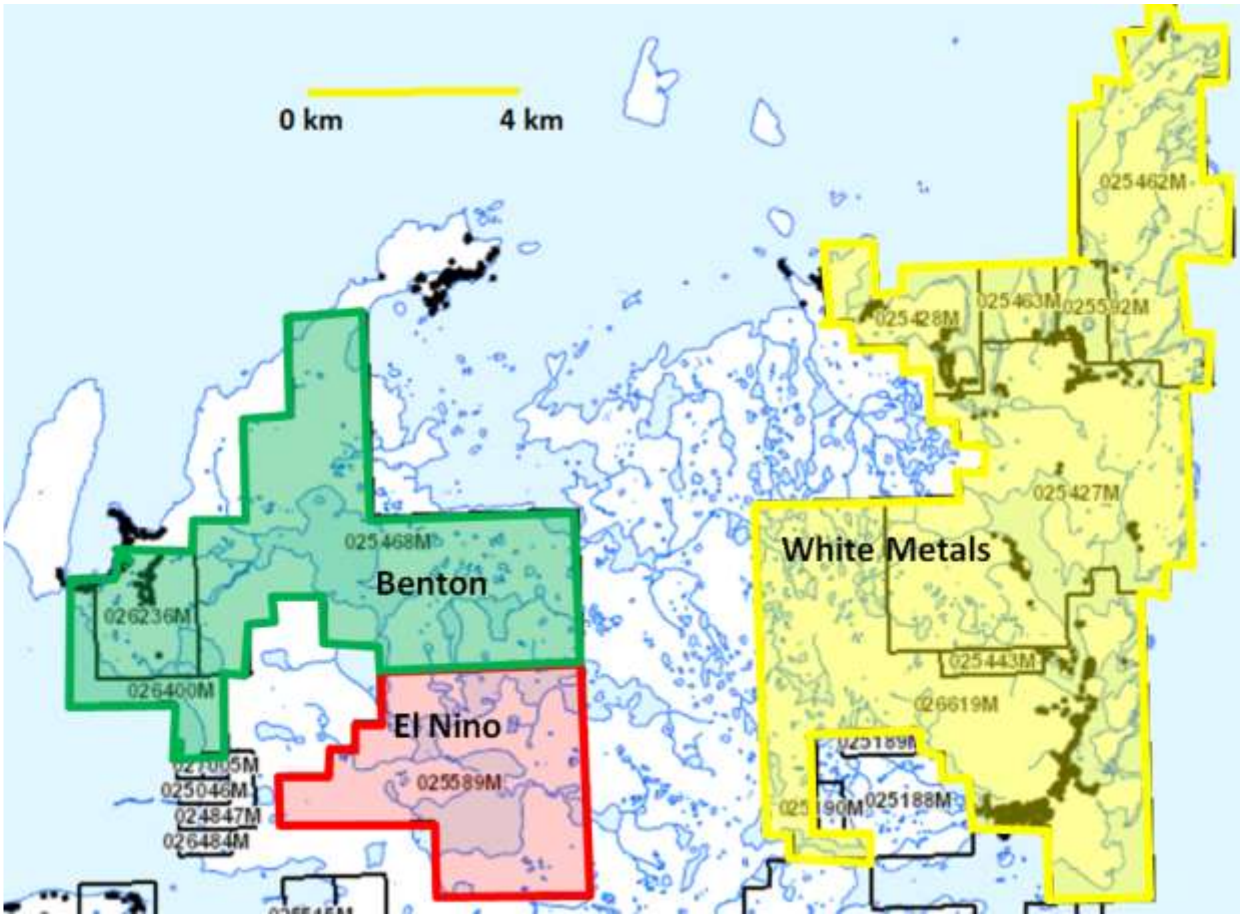
The Company is focusing its efforts on developing and growing its asset base. On 25 October 2016, the Company executed an asset sale agreement with Puma Exploration (PUM:TSX-V) to relinquish its interest in the Murray Brook Zn-Pb-Cu-Ag Volcanogenic Massive Sulphide (“VMS”) deposit. The Murray Brook property consists of Mining Lease 252 and contiguous Mineral Claim Block 4925 (245 claims). El Nino’s joint venture partner, Votorantim Metals Canada Inc., on the Murray Brook Project has also optioned their total interest of the Murray Brook Project to Puma. Terms of this transaction are outlined in section 14 of this document. To date Puma has paid to ELN $2.1 million of the total $3.1 million to complete the transaction. The final payment is due 30 June 2019.

The Company is continuing to pursue acquisitions globally.

### 1.1 - Overview of Company’s Projects

#### Newfoundland and Labrador

The Northern Peninsula Project is situated in the northern peninsula of the island of Newfoundland with the city of St. Anthony’s as the largest community in the region. The claim blocks were digitally staked for the company by their consulting geologist, Carey Galeschuk in 2018 and transferred to El Nino Ventures. The claims are 100% owned by the company. Field work was carried out in 2018 by a Newfoundland local prospecting company and a assessment report submitted in Q1 of 2019. Exploration was of a limited amount and only enough exploration expenditure was spent to keep the most northern of the claims, Claim 025589M (Third Pond Project). This is presently the only project the company has in the province of Newfoundland and Labrador, the other two projects previously held have been allowed to lapse.




Dunford's Project

The project claim block consists of 80 claims under the license # 025590M. Beginning at the Northeast corner of the herein described parcel of land, and said corner having UTM coordinates of 5 700 000 N, 600 000 E; of Zone 21; thence South 6,000 metres, thence West 3,000 metres, thence North 1,500 metres, thence West 500 metres, thence North 1,000 metres, thence West 500 metres, thence North 1,500 metres, thence East 1,000 metres, thence North 2,000 metres, thence East 3,000 metres to the point of beginning. All bearings are referred to the UTM grid, Zone 21. NAD27.

St. Anthony's Project

The project claim block consists of 61 claims under the license # 025593M. The claim block location is as follows: Beginning at the Northeast corner of the herein described parcel of land, and said corner having UTM coordinates of 5 694 000 N, 599 500 E; of Zone 21; thence South 500 metres, thence West 500 metres, thence South 1,000 metres, thence East 500 metres, thence South 500 metres, thence West 2,000 metres, thence South 500 metres, thence East 500 metres, thence South 500 metres, thence East 500 metres, thence South 500 metres, thence East 2,000 metres, thence South 1,500 metres, thence West 4,500 metres, thence North 3,000 metres, thence East 500 metres, thence North 2,000 metres, thence East 3,000 metres to the point of beginning. All bearings are referred to the UTM grid, Zone 21. NAD27.

Third Pond Project

This project claim block consists of 77 claims under the license # 025589M. The claim block location is as follows: Beginning at the Northeast corner of the herein described parcel of land, and said corner having UTM coordinates of 5 710 000 N, 597 000 E; of Zone 21; thence South 4,500 metres, thence West 3,000 metres, thence North 1,500 metres, thence West 3,000 metres, thence North 1,000 metres, thence East 1,000 metres, thence North 500 metres, thence East 500 metres, thence North 500 metres, thence East 500 metres, thence North 1,000 metres, thence East 4,000 metres to the point of beginning. All bearings are referred to the UTM grid, Zone 21. NAD27.

During the previous year ended 31 January 2019, the Company recorded an impairment write-down of $7,275 and $13,651 (2018 – $Nil and $Nil) related to the Dunford's Project and the St. Anthony's Project respectively.

**Bathurst JV Base Metals Project (the "BJVP Project") (Previously Bathurst Mining Camp Project and BOJV);**

The BJVP Project consists of various claims owned 50%:50% between ELN and Glencore in the prolific Bathurst Mining Camp of New Brunswick, Canada. The Joint Venture seeks a 3rd party partner to explore and develop its properties.

On 17 November 2017, The BOJV Project with Glencore and ELN was terminated by mutual consent of the two companies.

**Murray Brook Project**

The Murray Brook deposit is a polymetallic, volcanic hosted massive-sulfide deposit and is the fifth largest deposit in the Bathurst Mining Camp (BMC) with open pit mining potential. The property is located approximately 60 km west of Bathurst, New Brunswick, in Restigouche County, within the BMC. An existing gravel road accesses the property from a paved highway. The electricity grid is nearby, as are communities with goods, services and skilled labour. The gossan zone was removed during the open-pit mining operations carried out by Novagold Resources Inc. during the early 1990s. The hanging wall is moderately chloritic and is locally intensely deformed. The footwall consists of fine grained, felsic tuff and tuffaceous sediments with moderate to strong chlorite and sericite alteration. Sulfides are mainly fine grained, massive, vaguely laminated pyrite with disseminated and banded sphalerite, chalcopyrite and galena. Removal of the gossan also removed any evidence of previous drilling within the shallow pit area. Consequently, VM Canada's due diligence process to acquire the Murray Brook deposit required the confirmation of several historically reported drill results in addition to compilation of previous work. Significant drill results from the due diligence, drill twin-hole program included massive-sulfide intersections that were similar in width, position and positively confirmed the grades for copper ("Cu"), lead ("Pb"), zinc ("Zn") , gold ("Au") and silver ("Ag") reported from the three previously drilled holes.

On 1 November 2010 VM Canada entered into an Option and Joint Venture Agreement (the "OJV Agreement") with privately held companies, Murray Brook Minerals Inc. and Murray Brook Resources Inc. (collectively, "MBM"), which provided for VM Canada to earn 50% of the Murray Brook project consisting of the Murray Brook Mining Lease No. 252 and the Camel Back Claims Block No. 4925 (the "Properties").

Under the OJV Agreement, VM Canada could earn a 50% interest in the Properties by funding $2,250,000 in exploration expenditures and making payments totaling $300,000 over a three-year period that commenced 1 November 2011. VM Canada could earn an additional 20% interest in the Properties by funding an additional $2,250,000 in exploration expenditures over an additional two-year period.

On 3 January 2011, VM entered into a participation agreement with ELN whereby the Company could earn a 50% interest in VM's interest in the Murray Brook by paying 50% of all exploration expenditures incurred and other payments made by VM.

In 2011, the Company and VM Canada spent $2.1 million on exploration. The entire 2011 program consisted of 60 vertical drill holes, totaling 10,327.5 m. The 2011 drill program was designed to start on the south, near-surface, portion of the deposit where thick, massive sulfide intercepts of high-grade zinc were recorded in historic drilling. The drill program then moved to the north, to systematically test deeper portions of the massive sulfide body. The 2011 drill program was successful in defining the deposit in areas of low drill-density, confirming higher grade intercepts in historic drilling, and delineating the margins of the massive sulfide body.

Murray Brook's 2012 exploration program was budgeted for $3.0 Million and consists of a multi-phase drill program and a National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant resource estimate with preliminary tonnage and grade calculations. This study was completed and announced on 28 February 2012.

On 1 April 2012, VM and the Company entered into an acknowledgement of earned interest and joint venture formation and agreed that the joint venture was created as of 1 April 2012, and such date is the "Joint Venture Date" for purposes of the Murray Brook Agreement.

On 11 May 2012 the Company and VM Canada earned the 50% interest from MBM. ELN and VM Canada completed the funding for earning the additional 20% interest and have given valid notice to MBM that they have earned in for the additional 20% resulting in ELN and VM Canada each having a 35% interest in the Properties.

On 28 August 2012, VM Canada entered into a share purchase agreement (the "Purchase Agreement") with MBM to acquire the remaining 30% interest in the Murray Brook Property. The Purchase Agreement also made available to the Company the opportunity to acquire 50% of the interest purchased by VM Canada (being 15% of the Murray Brook property). Due to market conditions, the Company elected not to acquire the additional 15% interest in the Murray Brook property.

As of 31 May 2014, El Nino contributed $2,751,511.98 as its proportionate share of the expenses on the Murray Brook project. Since that date, El Nino has not contributed any further funds towards those expenses.

On 1 July 2015, the Company and VM Canada signed an Acknowledgement and Agreement relating to Dilution of Joint Venture Interest, whereas the parties have agreed that the amount of $121,348.40 owing by ELN from VM Canada shall be satisfied in full by the dilution of ELN's interest in the Joint Venture, with the result that, as of 1 July 2015, the parties acknowledge and agree that ELN has a 34.23% undivided beneficial interest in the Joint Venture. As at 31 July 2017, the Company interest in the Murray Brook property is further diluted to 31.59%.

During the year ended 31 January 2018, amounts of $17,596 owing by the Company to VM Canada were satisfied in full by the dilution of the Company's interest in the Murray Brook Project to 31.48%. As at 31 July 2019, the Company had a 31.48% undivided beneficial interest in the Properties.

On 25 October 2016, the Company executed an asset sale agreement with Puma Exploration Inc. ("Puma") amended and restated on 10 May 2017, to relinquish its interest in the Murray Brook Project on the following terms and payments to the Company by Puma (the "Puma Transaction"):

- $50,000 non-refundable deposit payable on the execution of this agreement (received);
- $250,000 cash and issuance of 5,000,000 shares by Purchaser to Vendor on closing date (received);
- 2,000,000 warrants at the closing date (received), which warrants will give the Company the right to buy 2,000,000 ordinary shares in the capital of Puma at any time within the 36 month period after the Closing Date for the following exercise prices:

    i. 0 to Year 1: Equal to the price of the acquisition equity financing;
    ii. Year 1 to Year 2: a 20% premium to the price indicated in i) above;
    iii. Year 2 to Year 3: a 20% premium to the price indicated

- $400,000 cash 6 months after the closing date in the event Puma raises an additional $1,000,000 within the first 6 months or the amount of $500,000 cash 12 months after the closing date (received).
- $1,000,000 cash 12 months after the closing date (received);
- $1,000,000 cash 24 months after the closing date (see amendment below);

- Net Smelter Return Royalty based on quarterly zinc London Metal Exchange ("LME") Price per USD metric ton as follows:

| Quarterly Zinc LME Price band in USD/mt | Approximate Equivalency in USD/lb of lower range of zinc LME price band | NSR% |
|---|---|---|
| < 2,300 | < 1.04 | 0% |
| 2,300 to < 2,500 | 1.04 – 1.12 | 0.50% |
| 2,500 to < 2,700 | 1.13 – 1.22 | 0.75% |
| 2,700 to < 2,900 | 1.23 – 1.31 | 1.00% |
| 2,900 to < 3,100 | 1.32 – 1.40 | 1.25% |
| 3,100 to < 3,300 | 1.41 – 1.49 | 1.50% |
| >/= 3,300 | > 1.50 | 1.75% |

- Puma assuming all liabilities relating to the conduct of the Murray Brook Project from and after the closing date and all liabilities of vendor under the Murray Brook Agreements.

On 30 April 2018, pursuant to the asset sale agreement, the Company received $1,500,000 from the Puma Transaction.

During the previous year ended 31 January 2019, the Company generated a recovery of $1,500,000 of exploration and evaluation properties as a result of the payments received from the Puma Transaction.

On 29 March January 2019, the Company amended the Puma Transaction and extended the amount of $1,000,000 cash to be paid on 30 June 2019. In addition, the amendment terms include 1,000,000 shares of Puma at the latest of 15 days following the approval of the Exchange.

On 8 July 2019, the Company further amended the Puma Transaction and extended the amount of $1,000,000 cash to be paid on 30 June 2020. In addition, the amendment terms include an additional quarterly fee for extension of the purchase agreement. Puma shall pay the amount of $30,000 to ELN on or prior to each of the 30 July, 30 September, 31 December 2019 and 31 March 2020. The total $120,000 is payable even if Puma pays out the $1,000,000 payment before 30 June 2020.

## 1. Going concern

Several conditions cast significant doubt on the validity of this assumption and ultimately the appropriateness of the use of accounting principles related to a going concern. From inception to date, the Company has incurred losses from operations, earned no revenues and has experienced negative cash flows from operating activities. As at 31 July 2019, the Company had cash and cash equivalents of $1,244,950 (31 January 2019: $1,425,609) and working capital of $1,270,609 (31 January 3019: $1,427,098). Existing funds on hand at 31 July 2019 will not be sufficient to support the Company's needs for cash to conduct exploration and to continue operations during the coming year. The Company will require additional funding to be able to meet ongoing requirements for general operations and to advance and retain mineral exploration and evaluation property interests. The ability of the Company to continue as a going concern is dependent on raising additional financing, retaining or attracting joint venture partners, developing its properties and/or generating profits from operations or the disposition of properties in the future.

Management has been successful in obtaining sufficient funding for operating, exploration and capital requirements from the inception of the Company to date. There is, however, no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to the management of the Company.

If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to further curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures including ceasing operations.

## 2. Litigation

In prior years, the Company entered into arbitrated dispute proceedings with GCP (the "GCP Group") related to its efforts to assert its legal and effective control over the Kasala Mineral Research Permits and the Company's interest in Infinity.

On 5 December 2013, the Company was granted a partial award in the arbitration proceedings (the "Arbitration Findings") against the GCP Group. On 21 March 2014, the Company was granted the final award pursuant to the arbitration, whereby the Arbitrator declared various judgements in favour of the Company, including that the GCP Group shall return all assets of Infinity to the control of the Company, the net damages award to the Company being USD$1,850 with interest, and the GCP Group must pay costs to the Company in the amount of $431,532 with interest. The Company received a judgement pursuant to the International Commercial Arbitration Act to have the above noted awards applied in the DRC through a successful application of Exequatur.

To date, the Company has not been successful in its efforts in the DRC and there is no assurance that the Company will be successful in asserting its legal and effective control over Infinity. As at 31 July 2019, the Company plans no further action to pursue its legal and effective control over Infinity. There is no assurance that further formal claims will not be made against the Company by GCP Group or other related parties.

As at 31 July 2019 there is no current litigation.

## 3. Selected Quarterly Financial Information

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company. The figures have been prepared in accordance with IFRS.

| | For the Quarters Ended (unaudited) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Jul | 30 Apr | 31 Jan | 31 Oct | 31 Jul | 30 Apr | 31 Jan | 31 Oct |
| | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2017 |
| Total revenues | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net income (loss) | (73,197) | (93,200) | (264,529) | (130,733) | (130,997) | 1,334,507 | (174,910) | 271,319 |
| Net income (loss) per share | (0.001) | (0.002) | (0.004) | (0.002) | (0.002) | 0.022 | (0.003) | 0.005 |
| Total assets | 1,299,564 | 1,407,007 | 1,493,216 | 1,583,495 | 1,721,507 | 2,024,918 | 588,421 | 675,662 |

### Results of Operations

### For the period ended 31 July 2019

The six month period ended 31 July 2019, resulted in a net loss from operations of $166,397 which compares to $1,208,010 net income for the same period in 2018. The decrease in income of $1,374,407 was mainly attributable to the net effect of the following:

- Decrease of $79,024 in consulting fees. Cost of $46,759 for the period ended 31 July 2019 compared to $125,783 for the same period in 2018.

- Increase of $1,873 in depreciation. Cost of $2,974 for the period ended 31 July 2019 compared to $1,101 for the same period in 2018.

- Increase of $9,794 in legal. Cost of $206 for the period ended 31 July 2019 compared to $10,000 for the same period in 2018.

- Increase of $60,000 in management fees. Cost of $60,000 for the period ended 31 July 2019 compared to $Nil for the same period in 2018.

- Decrease of $8,601 in marketing and communications. Cost of $Nil for the period ended 31 July 2019 compared to $8,601 for the same period in 2018.

- Decrease of $16,169 in office & miscellaneous. Cost of $18,297 for the period ended 31 July 2019 compared to $34,466 for the same period in 2018.

- Decrease of $1,504 in rent. Cost of $12,925 for the period ended 31 July 2019 compared to $14,429 for the same period in 2018.

- Decrease of $60,683 in share-based payments. Cost of $Nil for the period ended 31 July 2019 compared to $60,683 for the same period in 2018.

- Decrease of $9,758 in travel, lodging and food. Cost of $10,453 for the period ended 31 July 2019 compared to $20,211 for the same period in 2018.

- Decrease of $2,500 in gain on sale of short-term investments. $Nil for the period ended 31 July 2019 compared to $2,500 for the same period in 2018.

- Decrease of $1,500,000 in recovery of exploration and evaluation properties, $Nil for the period ended 31 July 2019 compared to $1,500,000 for the same period in 2018.

## 4. Cash flow, Liquidity and Capital Resources

During the period ended 31 July 2019, the Company's working capital, defined as current assets less current liabilities, was $1,270,609 (31 January 2019: $1,427,098). The Company has a total 61,611,966 common shares issued and outstanding as at 31 July 2019.

Cash outflows for operating activities for the period ended 31 July 2019 were $180,659 (31 January 2019: $894,348 – cash inflows) and consist of corporate costs.

### Capital Risk Management

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the exploration of its mineral properties.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administration costs, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not subject to any externally imposed capital requirements. There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital.

## 5. Contractual Obligations

The Company has no remaining contractual obligations under any of its property option agreements.

## 6. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## 7. Related Party Transactions

The related party transactions during the periods ended 31 July 2019 and 2018, which occurred in the normal course of operations and were measured at the exchange amount (the amount of consideration established and agreed to by the related parties), were as follows:

| | **31 July 2019** | 31 July 2018 |
|---|---|---|
| | **$** | $ |
| Consulting fees | **-** | 5,923 |
| Shared office costs | **22,916** | 29,027 |
| **Total related party expenses to New Age Metals Inc.** | **22,216** | 35,020 |
| Consulting fees paid/accrued to CEO | **60,000** | 120,000 |
| Consulting fees paid/accrued to COO | **-** | 75,000 |
| Consulting fees paid to CFO | **21,000** | 21,000 |
| Consulting fees paid to Corporate Secretary | **12,000** | 12,300 |
| **Total related party expenses** | **93,000** | 228,300 |

## 8. Critical Accounting Estimates and Risks & Uncertainties

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 income 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.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

*Government Laws, Regulation & Permitting*

Mining and exploration activities of the Company are subject to both domestic and foreign laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances, the environment and other matters. Although the Company believes that all exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

The operations of the Company will require licenses and permits from various governmental authorities to carry out exploration and development at its projects. There can be no assurance that the Company will be able to obtain the necessary licenses and permits on acceptable terms, in a timely manner or at all. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

*Estimates of Mineral Resources*

The mineral resource estimates contained in this MD&A are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally or commercially exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

If the Company's exploration programs are successful, additional funds will be required in order to complete the development of its properties. There is no assurance that the Company will be successful in raising sufficient funds to meet its obligation or to complete all of the currently proposed exploration programs. If the Company does not raise the necessary capital to meet its obligations under current contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts.

*Key Management and Competition*

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The success of the Company is largely dependent on the performance of its key individuals. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself with respect to the discovery and acquisition of interests in mineral properties, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

*Title to Properties*

Acquisition of rights to the mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated the title to all of the properties for which it holds concessions or other mineral leases or licenses or in respect of which it has a right to earn an interest, the Company cannot give an assurance that title to such properties will not be challenged or impugned.

*Commodity Prices*

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of copper or gold.

## 9. Financial Instruments

The Company classifies all financial instruments as either available-for-sale, financial assets or liabilities at fair value through profit or loss ("FVTPL"), loans and receivables or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in accumulated other comprehensive income. These amounts will be reclassified from shareholders' equity to net income when the investment is sold or when the investment is impaired and the impairment is considered less than temporary. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized on the statement of loss and deficit.

The Company has designated its cash as FVTPL, which is measured at fair value. Amounts receivable receivables are classified as loans and receivables, which are measured at amortized cost. Trade payables are classified as other financial liabilities which are measured at amortized cost. Investments are classified as available-for-sale investments measured using the cost method.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. As a result, the Company is not subject to a significant credit risk. The Company does not consider any of its financial assets to be impaired.

Currency Risk

For the period ended 31 July 2019, the Company's operations were solely in Canada. The Company considers its currency risk to be insignificant.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has no source of revenue and has obligations meet its administrative overheads, maintain its mineral investments and to settle amounts payable to its creditors. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at 31 July 2019, the Company had a working capital of $1,270,609 (31 January 2019: $1,427,098).

Other Risks

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate risk and commodity price risk arising from financial instruments.

## 10. Adoption of New and Revised Standards and Interpretations

The International Accounting Standards Board issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related International Financial Reporting Interpretations Committee interpretations which are effective for the Company's financial year beginning on 1 February 2018. For the purpose of preparing and presenting the financial statements, the Company has consistently adopted all these new standards for the period ended 31 July 2019.

*IFRS 2 Share-based payment*

IFRS 2, Share-based payment, issued in June 2016, is amended to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a "net settlement" for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date for IFRS 2 is for annual periods beginning on or after 1 January 2018.

*IFRS 7 Financial Instruments: Disclosures*

IFRS 7 clarifies the definition for continuing involvement in a transferred financial asset. The amendments are effective for annual periods beginning on or after 1 January 2018.

*IFRS 9 Financial Instruments*

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting and replaces IAS 39. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss ("FVTPL"), and fair value through other comprehensive income ("FVTOCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The amendment is applicable for annual periods beginning on or after 1 January 2018.

The following table shows the classification of the Company's financial instruments under IFRS 9 replacing IAS 39:

| Financial instrument | IFRS 9 Classification | IAS 39 Classification |
|---|---|---|
| Cash (excluding GIC and Money market funds) | Amortized cost | FVTPL |
| GIC (cash equivalent) | Amortized cost | N/A |
| Money market funds (cash equivalent) | FVTPL | N/A |
| Short term investments (excluding warrants) | FVTPL | Available for sale |
| Warrants | FVTPL | Cost |
| Trade payable and accrued liabilities | Amortized cost | Other financial liabilities |
| Due from related parties | Amortized cost | Loans and receivables |

The Company has applied IFRS 9 retrospectively and has elected not to restate the information for the comparative period. The Company has reviewed its financial assets and liabilities and has determined the following impacts from the adoption of the new standard on 1 February 2018:

- The Company has reclassified its financial instruments into the three new categories: amortized cost, FVTPL, and FVTOCI (Note 3.8).
- The Company classified its short term investments (excluding warrants) as FVTPL, previously classified as available for sale assets, which better reflects the principal nature of the investments. As a result, on 1 February 2018, there is a reclassification of accumulated other comprehensive income to retained earnings of $3,750.
- The Company classified its warrants as FVTPL, previously accounted for at cost due to not having a quoted price in an active market (Note 14). As a result, on 1 February 2018, there is a revaluation difference of $116,269 recognized in retained earnings.
- The Company classified its cash balance as amortized cost, previously classified as FVTPL, which better reflects the principal nature of the balances. There is no interest revenue or expense recognized as there is no interest expected on this balance, resulting in $Nil impact on reclassification.

The impact of the adoption of IFRS 9 on the statement of financial position as at 1 February 2018 is as follows:

| | 31 January | IFRS 9 adjustments | 1 February |
|---|---|---|---|
| | **2018** | | **2018** |
| | $ | $ | $ |
| Short term investments | 22,500 | 116,269 | 138,769 |
| Accumulated other comprehensive income | (3,750) | 3,750 | - |
| Deficit | 33,512,248 | (120,019) | 33,392,229 |

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is 1 January 2018.

*IFRIC 22 Foreign Currency Transactions and Advance Consideration*

This interpretation clarifies when an entity recognizes a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The effective date for IFRIC 22 is for annual periods beginning on or after 1 January 2018.

The adoption of these standards did not have a material impact on the Company's financial statements other than as disclosed above.

## 11. Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

## 12. Qualified Person Statement

Technical sections of "Overview of Company's Projects of this report have been reviewed and approved for technical content by Ali Hassanalizadeh, M.Sc. P.Geo, Senior Advisor for ELN and a Qualified Person under the provisions of NI 43-101.

## 13. Forward Looking Information

Forward-looking information is included in this MD&A, which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the following factors (as discussed under "Risks and Uncertainties"): industry; commodity prices; competition; foreign political risk; government laws; regulation and permitting; title to properties; estimates of mineral resources; cash flows and additional funding requirements; key management; possible dilution to present and prospective shareholders; material risk of dilution presented by large number of outstanding share purchase options and warrants; trading volume; volatility of share price; foreign currency risk; and, conflict of interest.

Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Forward-looking information reflects management's current beliefs and is based on information currently available to the Company. Such information reflects current assumptions regarding future events and operating performance including, without limitation, a strong global demand for mineral commodities, continued funding and continued strength in the industry in which the Company operates, and speaks only as of the date of this discussion. The forward-looking information is made as of the date of this MD&A.

## 14. Outlook

On 25 October 2016, the Company executed an asset sale agreement with Puma Exploration (PUM:TSX-V) to relinquish its interest in the Murray Brook Zn-Pb-Cu-Ag Volcanogenic Massive Sulphide ("VMS") deposit. The Murray Brook property consists of Mining Lease 252 and contiguous Mineral Claim Block 4925 (245 claims). El Nino's joint venture partner, Votorantim Metals Canada Inc., on the Murray Brook Project has also optioned their total interest of the Murray Brook Project to Puma.

The following terms and payments to the Company by Puma (the "Puma Transaction"):

- $50,000 non-refundable deposit payable on the execution of this agreement (received);
- $250,000 cash and issuance of 5,000,000 shares by Purchaser to Vendor on closing date (received);
- 2,000,000 warrants at the closing date (received), which warrants will give the Company the right to buy 2,000,000 ordinary shares in the capital of Puma at any time within the 36 month period after the Closing Date for the following exercise prices:

    i. 0 to Year 1: Equal to the price of the acquisition equity financing;
    ii. Year 1 to Year 2: a 20% premium to the price indicated in i) above;
    iii. Year 2 to Year 3: a 20% premium to the price indicated

- $400,000 cash 6 months after the closing date in the event Puma raises an additional $1,000,000 within the first 6 months or the amount of $500,000 cash 12 months after the closing date (received).
- $1,000,000 cash 12 months after the closing date (received);
- $1,000,000 cash 24 months after the closing date (amended on 8 July 2019);
- Net Smelter Return Royalty based on quarterly zinc London Metal Exchange ("LME") Price per USD metric ton as follows:

| Quarterly Zinc LME Price band in USD/mt | Approximate Equivalency in USD/lb of lower range of zinc LME price band | NSR% |
|---|---|---|
| < 2,300 | < 1.04 | 0% |
| 2,300 to < 2,500 | 1.04 – 1.12 | 0.50% |
| 2,500 to < 2,700 | 1.13 – 1.22 | 0.75% |
| 2,700 to < 2,900 | 1.23 – 1.31 | 1.00% |
| 2,900 to < 3,100 | 1.32 – 1.40 | 1.25% |
| 3,100 to < 3,300 | 1.41 – 1.49 | 1.50% |
| >/= 3,300 | > 1.50 | 1.75% |

- Puma assuming all liabilities relating to the conduct of the Murray Brook Project from and after the closing date and all liabilities of vendor under the Murray Brook Agreements.

The Company is continually seeking new opportunities.

Even though current management has demonstrated its ability to raise funds in the past, with the current financial market conditions and global economic uncertainty, there can be no assurance it will be able to do so in the future. Although the Company has been successful in all of its Court actions, as with all disputes, there is no guarantee that the results from the appeals will be favorable towards the Company or that there will be further spurious acts. Because of these uncertainties, there is substantial doubt about the ability of the Company to continue as going concern. These financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**15. Subsequent Events**

There are no reportable subsequent events after the reporting period.

**16. Additional Information**

Additional information relating to the Company is available on SEDAR at www.sedar.com or on the Company's website at www.elninoventures.com .

***For more information, please contact***:

Mr. Harry Barr, Chairman & CEO
El Nino Ventures Inc.
101 - 2148 West 38th Avenue,
Vancouver, British Columbia, V6M 1R9

**TRADING SYMBOLS**

TSX Venture Exchange: ELN
OTC Pink: ELNOF
Frankfurt Stock Exchange: E7Q

TSX.V: ELN OTC Pink: ELNOF FRANKFURT: E7QN

Toll free 1.800.667.1870 or 604.685.1870
101 – 2148 West 38th Avenue, Vancouver, B.C. Canada V6M 1R9

# CONDENSED INTERIM FINANCIAL STATEMENTS

*31 July 2019*

## (An Exploration Stage Company)

(Unaudited - Expressed in Canadian dollars)

**MANAGEMENT'S COMMENTS ON**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of El Niño Ventures Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

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

# El Nino Ventures Inc.

**(An Exploration Stage Company)**
**Condensed Interim Statement of Financial Position**
**(Unaudited)**
(Expressed in Canadian dollars)

| | Notes | As at 31 July 2019 | As at 31 January 2019 (Audited) |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Current assets** | | | |
| Cash and cash equivalents | | **1,244,950** | 1,425,609 |
| Amounts receivable | 4 | **4,483** | 3,169 |
| Short term investments | 5 | **25,040** | 27,290 |
| | | **1,274,473** | 1,456,068 |
| **Exploration and evaluation properties (Recovery)** | 6 | **(2,003)** | 7,080 |
| **Property, plant and equipment** | 7 | **27,094** | 30,068 |
| **Total assets** | | **1,299,564** | 1,493,216 |
| **EQUITY AND LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables and accrued liabilities | 8 | **3,864** | 28,970 |
| | | **3,864** | 28,970 |
| **Due to related parties** | 14 | **10,592** | 12,742 |
| **Total liabilities** | | **14,456** | 41,712 |
| **Equity** | | | |
| Common shares | 9 | **25,557,671** | 25,557,671 |
| Reserves | 9 | **8,473,314** | 8,473,314 |
| Deficit | | **(32,745,878)** | (32,579,481) |
| **Total equity** | | **1,285,108** | 1,451,504 |
| **Total equity and liabilities** | | **1,299,564** | 1,493,216 |

**Corporate Information** (Note 1), **Going Concern** (Note 1.1), **Commitments and Contingencies** (Note 16) and **Subsequent Events** (Note 17)

**APPROVED BY THE BOARD:**

*"Harry Barr"*
Director

*"Mike Neumann"*
Director

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

# El Nino Ventures Inc.

**(An Exploration Stage Company)**
**Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)**
**For the six months ended 31 July 2019 and 2018**
**(Unaudited)**
(Expressed in Canadian dollars)

| | Notes | **Three months ended 31 July 2019** | Three months ended 31 July 2018 | **Six months ended 31 July 2019** | Six months ended 31 July 2018 |
|---|---|---|---|---|---|
| | | **$** | $ | **$** | **$** |
| **Administration expenses** | | | | | |
| Accounting and audit | | **633** | - | **633** | - |
| Bank charges and interest | | **53** | 62 | **85** | 311 |
| Consulting fees | 14 | **23,339** | 60,366 | **46,759** | 125,783 |
| Depreciation | 7 | **1,487** | 1,101 | **2,974** | 1,101 |
| Information technology | | **12** | 180 | **240** | 300 |
| Legal | | **-** | 10,000 | **-** | 10,000 |
| Management fees | | **30,000** | - | **60,000** | - |
| Marketing and communications | | **-** | 8,601 | **-** | 8,601 |
| Office and miscellaneous | 14 | **8,686** | 24,918 | **18,297** | 34,446 |
| Rent | | **5,440** | 5,494 | **12,925** | 14,429 |
| Share-based payments | | **-** | - | **-** | 60,683 |
| Telephone and utilities | | **1,579** | 2,958 | **5,445** | 5,671 |
| Transfer agent and regulatory fees | | **5,408** | 6,665 | **12,564** | 12,934 |
| Travel, lodging and food | | **2,136** | 10,652 | **10,453** | 20,211 |
| **Net loss before other items** | | **(78,881)** | (130,997) | **(170,581)** | (294,490) |
| **Other items** | | | | | |
| Interest income | | **6,434** | - | **6,434** | - |
| Gain on sale of short term investments | | **-** | - | **-** | 2,500 |
| Unrealized loss on short term investments | | **(750)** | - | **(2,250)** | - |
| Recovery of exploration and evaluation properties | 8 | **-** | - | **-** | 1,500,000 |
| **Net income (loss) for the period** | | **(73,197)** | (130,997) | **(166,397)** | 1,208,010 |
| **Other comprehensive loss** | | | | | |
| Unrealized loss on short term investments | | **-** | - | **(4,500)** | (4,500) |
| **Net income (loss) and comprehensive loss for the period** | | **(73,197)** | (130,997) | **(166,397)** | 1,203,510 |

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

# El Nino Ventures Inc.

**(An Exploration Stage Company)**
**Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)**
**For the six months ended 31 July 2019 and 2018**
**(Unaudited)**
(Expressed in Canadian dollars)

| | | | | | |
|---|---|---|---|---|---|
| **Income (loss) per share – basic and diluted** | 11 | **(0.001)** | (0.002) | **(0.003)** | 0.020 |

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

# El Nino Ventures Inc.

**(An Exploration Stage Company)**
**Condensed Interim Statements of Cash Flows**
**For the six months ended 31 July 2019 and 2018**
**(Unaudited)**
(Expressed in Canadian dollars)

| | | Six months ended | |
|---|---|---|---|
| | **Notes** | **31 July 2019** | 31 July 2018 |
| | | **$** | $ |
| **OPERATING ACTIVITIES** | | | |
| Income (loss) for the period | | **(166,397)** | 1,208,010 |
| Adjustments for: | | | |
| Depreciation | | **2,974** | 1,101 |
| Share-based payments | 9 | **-** | 60,683 |
| Gain of sale on sale of short term investments | | **-** | (2,500) |
| Recovery of exploration and evaluation properties | | **9,083** | - |
| Unrealized loss on short-term investments | | **2,250** | - |
| Changes in operating working capital | | | |
| Decrease (increase) in amounts receivable | | **(1,314)** | (20,944) |
| Increase (decrease) in trade payables and accrued liabilities | | **(25,105)** | (131,107) |
| Decrease in due to related parties | | **(2,150** | - |
| **Cash from (used) in operating activities** | | **(180,659)** | 1,115,243 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of fixed assets | 7 | **-** | (33,042) |
| Proceeds from sale of short-term investments | 5 | **-** | 10,000 |
| **Cash used in investing activities** | | **-** | (23,042) |
| **Increase (decrease) in cash and cash equivalents** | | **(180,659)** | 1,092,201 |
| Cash and cash equivalents, beginning of period | | **1,425,609** | 531,261 |
| **Cash and cash equivalents, end of period** | | **1,244,950** | 1,623,462 |

**Supplemental cash flow information** (Note 16)

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

# El Nino Ventures Inc.
**(An Exploration Stage Company)**
**Condensed Interim Statements of Changes in Equity**
**For the six months ended 31 July 2019 and 2018**
**(Unaudited)**
(Expressed in Canadian dollars)

| | Number of shares | Common shares | Stock option reserve | Warrant reserve | Deficit | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balances, 1 February 2018** | **61,611,966** | **25,557,671** | **1,991,017** | 6,369,627 | **(33,508,498)** | **409,817** |
| Share-based payments | - | - | 60,684 | - | - | 60,684 |
| Net income for the period | - | - | - | - | 1,334,507 | 1,334,507 |
| **Balances, 31 July 2018** | **61,611,966** | **25,557,671** | **2,051,701** | 6,369,627 | **(32,173,241)** | **1,805,008** |
| Share-based payments | - | - | 51,986 | - | - | 51,986 |
| Net income for the period | - | - | - | - | (405,490) | (405,490) |
| **Balances, 31 January 2019** | **61,611,966** | **25,557,671** | **2,103,687** | 6,369,627 | **(32,579,481)** | **1,451,504** |
| Share-based payments | - | - | - | - | - | - |
| Net income for the period | - | - | - | - | (166,397) | (166,397) |
| **Balances, 31 July 2019** | **61,611,966** | **25,557,671** | **2,103,687** | 6,369,627 | **(32,745,878)** | **1,285,108** |

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

## 1. CORPORATE INFORMATION

El Nino Ventures Inc. (the "Company") was incorporated on 19 February 1988 under the laws of the Province of British Columbia, Canada. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties in Canada with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploration.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the Company will obtain the necessary financing to complete the exploration and development of mineral property interests, or that the current or future exploration and development programs of the Company will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments, including conducting minimum exploration and evaluation programs and paying for general and administrative expenses (Note 1.1).

The Company's principal address and records office is located at 101-2148 West 38th Avenue, Vancouver, BC V6M 1R9.

### 1.1 GOING CONCERN

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast significant doubt on the validity of this assumption and ultimately the appropriateness of the use of accounting principles related to a going concern. From inception to date, the Company has incurred losses from operations, earned no revenues and has experienced negative cash flows from operating activities. As at 31 July 2019, the Company had cash and cash equivalents of $1,244,950 (31 January 2019: $1,425,609) and working capital of $1,270,609 (31 January 2019: $1,427,098). However, management cannot provide assurances that it will achieve profitable operations or raise additional equity capital.

The Company is presently exploring its property interests and has not confirmed they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves and the Company's ability to obtain necessary financing to complete its exploration and development of its current property interests and on future production from or proceeds from the disposition of its mineral property interests.

The ability of the Company to continue as a going concern is dependent on raising additional financing, retaining or attracting joint venture partners, developing its properties and/or generating profits from operations or the disposition of properties in the future. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Management has been successful in obtaining sufficient funding for operating, exploration and capital requirements from the inception of the Company to date. There is, however, no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to the management of the Company.

If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to further curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures including ceasing operations. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

## 2. BASIS OF PREPARATION

### 2.1 Basis of presentation

The Company's financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value (Note 13).

The financial statements are presented in Canadian dollars, which is also the Company's functional currency, except where otherwise indicated and all values are rounded to the nearest dollar.

### 2.2 Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, '*Interim Financial Reporting*' using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### 2.3 Adoption of New Standards and change in accounting policy

The IASB issued a number of new and revised IASs, IFRSs, amendments and related IFRIC interpretations which are effective for the Company's financial year beginning on 1 February 2018. For the purpose of preparing and presenting the financial statements, the Company has consistently adopted all these new standards for the period ended 31 July 2019.

*IFRS 2 Share-based payment*

IFRS 2, Share-based payment, issued in June 2016, is amended to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a "net settlement" for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date for IFRS 2 is for annual periods beginning on or after 1 January 2018.

(Expressed in Canadian dollars)

*IFRS 7 Financial Instruments: Disclosures*

IFRS 7 clarifies the definition for continuing involvement in a transferred financial asset. The amendments are effective for annual periods beginning on or after 1 January 2018.

*IFRS 9 Financial Instruments*

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting and replaces IAS 39. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss (“FVTPL”), and fair value through other comprehensive income (“FVTOCI”). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The amendment is applicable for annual periods beginning on or after 1 January 2018.

The following table shows the classification of the Company’s financial instruments under IFRS 9 replacing IAS 39:

| Financial instrument | IFRS 9 Classification | IAS 39 Classification |
|---|---|---|
| Cash (excluding GIC and Money market funds) | Amortized cost | FVTPL |
| GIC (cash equivalent) | Amortized cost | N/A |
| Money market funds (cash equivalent) | FVTPL | N/A |
| Short term investments (excluding warrants) | FVTPL | Available for sale |
| Warrants | FVTPL | Cost |
| Trade payable and accrued liabilities | Amortized cost | Other financial liabilities |
| Due from related parties | Amortized cost | Loans and receivables |

The Company has applied IFRS 9 retrospectively and has elected not to restate the information for the comparative period. The Company has reviewed its financial assets and liabilities and has determined the following impacts from the adoption of the new standard on 1 February 2018:

- The Company has reclassified its financial instruments into the three new categories: amortized cost, FVTPL, and FVTOCI (Note 3.8).
- The Company classified its short term investments (excluding warrants) as FVTPL, previously classified as available for sale assets, which better reflects the principal nature of the investments. As a result, on 1 February 2018, there is a reclassification of accumulated other comprehensive income to retained earnings of $3,750.
- The Company classified its warrants as FVTPL, previously accounted for at cost due to not having a quoted price in an active market (Note 14). As a result, on 1 February 2018, there is a revaluation difference of $116,269 recognized in retained earnings.
- The Company classified its cash balance as amortized cost, previously classified as FVTPL, which better reflects the principal nature of the balances. There is no interest revenue or expense recognized as there is no interest expected on this balance, resulting in $Nil impact on reclassification.

(Expressed in Canadian dollars)

The impact of the adoption of IFRS 9 on the statement of financial position as at 1 February 2018 is as follows:

| | 31 January 2018 | IFRS 9 adjustments | 1 February 2018 |
|---|---|---|---|
| | $ | $ | $ |
| Short term investments | 22,500 | 116,269 | 138,769 |
| Accumulated other comprehensive income | (3,750) | 3,750 | - |
| Deficit | 33,512,248 | (120,019) | 33,392,229 |

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is 1 January 2018.

*IFRIC 22 Foreign Currency Transactions and Advance Consideration*

This interpretation clarifies when an entity recognizes a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The effective date for IFRIC 22 is for annual periods beginning on or after 1 January 2018.

The adoption of these standards did not have a material impact on the Company's financial statements other than as disclosed above.

**2.4 New and revised standards and interpretations not yet adopted**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been early adopted by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. The Company is evaluating the impact of these standards. Certain other new standards, amendments, and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

*Conceptual Framework and References to the Conceptual Framework in IFRS Standards*

On 29 March 2018, the IASB issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to amend certain IFRS, IAS, IFRIC and SIC. These amendments are effective for annual periods beginning on or after 1 January 2020.

*IFRS 9 Financial Instruments*

This is an amendment to IFRS 9 to amend the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost even in the case of negative compensation payments. The amendment also contains a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2019. Early application is permitted.

*IFRS 16 Leases*

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in IAS 17. IFRS 16, is effective for periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

*IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

These are amendments to IAS 1 and IAS 8 to revise the definition of 'material'. The new definition of material and the accompanying explanatory paragraphs are contained in IAS 1. The definition of material in IAS 8 has been replaced with a reference to IAS 1. The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted.

*IAS 28 Investments in associates and joint ventures*

This is an amendment to sale or contribution of assets between an investor and its associate or joint venture. An additional amendment is made regarding long-term interests in associates and joint ventures to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied and to reduce confusion about the accounting for long-term interests in associates and joint ventures. The effective date for the former amendment to IAS 28 is for annual periods beginning on or after a date to be determined by IASB. Earlier application is permitted. The effective date for the latter amendment is for annual periods beginning on or after 1 January 2019. Earlier application is also permitted.

*IFRIC 23 Uncertainty over Income Tax Treatments*

IFRIC 23 is an interpretation that clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over tax treatments. The effective date for IFRIC 23 is for annual periods beginning on or after 1 January 2019.

The Company has not early adopted nor assessed the financial statement impact of these standards, amendments and interpretations, and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company, other than as separately disclosed.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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 income 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.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and the ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

*Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss in the year when new information becomes available.

Determining whether to test for impairment of exploration and evaluation properties requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

*Decommissioning and restoration costs*

Management is not aware of any material restoration, rehabilitation and environmental provisions as at 31 July 2019. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measure at fair value and these estimates are updated annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the exploration and evaluation property. Such estimates are subject to change based on changes in laws, regulations and negotiations with regulatory authorities.

*Impairment of financial assets*

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regards to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

*Share based payments*

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3.6. The fair value of stock options is measured using the Black-Scholes Option Valuation Model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. Under the residual method, one component is measured first and the residual amount is allocated to the remaining component. The Company measures the value of the warrants first. The balance, if any, is allocated to the common shares. Any fair value attributed to the warrants is recorded as reserves.

*Deferred income taxes*

Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realized the net deferred tax assets recorded at the statement of financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiaries operate could limit the ability of the Company to obtain tax deductions in future periods.

*Going concern*

These financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions (Note 1.1).

### 3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

**3.3 Foreign currencies**

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

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 period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**3.4 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Automotive 5 years
- Computer equipment 3 years
- Furniture and fixtures 5 years
- Software 1 year

**3.5 Exploration and evaluation properties**

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Indication of impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

If there is an indication of impairment, the recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, of the asset is determined. When the carrying value of the property exceeds its recoverable amount the asset is written down accordingly. As a result, an impairment loss is recognized in the statement of loss and comprehensive loss.

The Company may occasionally enter into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as recovery of exploration and evaluation properties.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period.

**3.6 Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### 3.7 Taxation

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in the statement of loss and comprehensive loss except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recognized on loss carry-forwards and tax credits, and on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that profits will be available against which those deductible temporary differences can be utilizes. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and law that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company records provisions for uncertain tax provisions if it is probable that the Company will make a payment on tax positions as a result of examinations by the tax authorities. These provisions are measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses that they are no longer required or determined by statute.

**3.8 Financial instruments**

At initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Financial assets are recognized initially at fair value, unless they are trade receivables that do not contain a significant financing component in accordance with IFRS 15, which shall be measured at their transaction price. The subsequent measurement of financial assets depends on their classification based on both the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as follows:

*Amortized Cost*

The financial asset is subsequently measured at amortized cost if the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Cash and certain cash equivalents and amounts receivable are included in this category of financial assets.

*Financial Assets at FVTOCI*

The financial asset is subsequently measured at FVTOCI if the financial asset is held within a business model whose objectives are achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding or if an irrevocable election was made for certain equity instruments at initial recognition. After initial recognition, the financial assets are measured at fair value with gains or losses recognized within other comprehensive income ("OCI") except for impairment gains (losses) and foreign exchange gains (losses).

Accumulated changes in fair value are recorded as a separate component of equity until the financial asset is derecognized, at which point, they are reclassified from equity to profit or loss as a reclassification adjustment. Transaction costs are included in the initial carrying amount of the asset.

*Financial Assets at FVTPL*

A financial asset shall be measured at FVTPL if it is not measured at amortized cost or at FVTOCI. If the financial asset that would otherwise be measured at FVTPL is not acquired or incurred principally for the purpose of selling or repurchasing it in the near term, not part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative, the Company may make an irrevocable election at initial recognition to present subsequent fair value changes of the equity instrument in other comprehensive income. Transaction costs associated with financial assets at FVTPL are expensed as incurred. These assets are carried at fair value with gains or losses recognized in profit or loss. Short term investments and certain cash equivalents are included in this category of financial assets.

*Derivatives designed as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

**3.9 Financial liabilities**

At initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost unless they are financial liabilities at FVTPL (including derivatives that are liabilities), financial liabilities that arise when a transfer of financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at below market rate or contingent consideration recognized by an acquirer in a business combination. Financial liabilities are recognized initially at fair value. Transaction costs directly attributable to the issue of a financial liability are included in the initial carrying value of financial liabilities if they are not measured at FVTPL. The subsequent measurement of financial liabilities depends on their classification, as follows:

*Financial liabilities measured at amortized cost*

Financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables and due to related parties are included in this category of financial liabilities.

*Financial liabilities at FVTPL*

Financial liabilities are carried at fair value with gains or losses recognized in net income (loss). Where the financial liability is designated as at FVTPL, only the amount of change in the fair value of the financial liability that is attributable to the changes in the credit risk of that liability shall be presented in OCI and the remaining amount of changes in fair value presented in profit or loss. Transaction costs on financial liabilities at FVTPL are expensed as incurred.

*Other financial liabilities*

The Company does not hold or have any exposure to derivative instruments, financial liabilities that arise when a transfer of financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market rate or contingent consideration recognized by an acquirer in a business combination.

**3.10 Impairment of financial assets**

The Company shall recognize a loss allowance for expected credit losses on financial assets measured at amortized cost or FVTOCI, a lease receivable, a contract asset or a loan commitment. If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance shall be measured at an amount equal to the lifetime expected credit losses, otherwise, it shall be measured at an amount equal to the 12-month expected credit losses.

*Assets carried at amortized cost*

The Company shall recognize an impairment gain or loss in profit for the amount of expected credit losses (or reversal) required to adjust the loss allowance at the reporting date.

*Assets at FVTOCI*

The loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset.

**3.11 De-recognition of financial assets and liabilities**

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or, the financial assets are transferred, and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Where a transfer does not result in a derecognition due to continuing involvement, the Company shall continue to recognize the transferred asset and recognize a financial liability of the consideration received.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

**3.12 Flow-through shares**

The Company, from time to time, issues flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares 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 premium reversal recorded in other income or a reduction to deferred tax expense. The Company also recognizes a deferred tax liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period. The portion of proceeds received but not yet expended at the end of the period is disclosed separately within restricted cash.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada income tax regulations. When applicable, this tax is accrued as an other expense until paid.

### 3.13 Decommissioning liabilities

An obligation to incur decommissioning costs arises when environmental disturbance is caused by the exploration or development of mineral property interest. These costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability, as soon as the obligation to incur such cost arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the Company operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Estimated costs for decommissioning costs are adjusted as changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital costs of the related assets, in which case the capitalized cost is reduced to zero and the difference is recognized in profit or loss. As at 31 July 2019, the Company has $Nil decommissioning liabilities.

### 3.14 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(Expressed in Canadian dollars)

### 3.15 Loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

## 4. AMOUNTS RECEIVABLE

The Company's amounts receivable arises from Goods and Services Tax ("GST") receivable due from the government taxation authorities:

| | **31 July 2019** | 31 January 2019 |
|---|---|---|
| | **$** | $ |
| GST receivable | **4,483** | 3,169 |
| **Total amounts receivable** | **4,483** | 3,169 |

## 5. SHORT TERM INVESTMENTS

| | **As at 31 July 2019** | | As at 31 January 2019 | |
|---|---|---|---|---|
| | **Cost** | **Fair Value** | Cost | Fair Value |
| | **$** | **$** | $ | $ |
| Puma Exploration Inc.<br>150,000 shares (31 January 2019: 150,000 shares) | **11,250** | **3,000** | 11,250 | 5,250 |
| 2,000,000 warrants (31 January 2019: 2,000,000 warrants)(1) | **-** | **22,040** | - | 22,040 |
| **Total short term investments** | **11,250** | **25,040** | 11,250 | 27,290 |

(1) The Puma warrants were/are exercisable at a price $0.07 until 4 May 2018, $0.08 until 4 May 2019 and $0.10 until 4 May 2020.

On 15 May 2017, the Company received 5,000,000 shares and 2,000,000 warrants of Puma Exploration Inc. ("Puma") valued at $375,000 and $Nil related to the Murray Brook Asset Purchase Agreement (Notes 6 and 16). As at 31 July 2019, the Puma warrants were valued at $22,040 using the binomial model (Notes 2 and Note 14). In the prior year, the Puma warrants were valued at cost of $Nil. The weighted average assumptions used for the calculation were:

| | **31 July 2019** | 31 January 2019 |
|---|---|---|

| | | |
|---|---|---|
| Risk free interest rate | - | 1.77% |
| Expected life | - | 1.26 years |
| Expected volatility | - | 122.48% |
| Expected dividend per share | - | - |

During the previous year ended 31 January 2019, the Company sold a total of 100,000 shares of Puma for total proceeds of $10,000, resulting in a gain of $2,500.

During the previous year ended 31 January 2019, the Company recorded a unrealized loss on the fair value of the short-term investments of $103,979 (2018 – unrealized gain of $3,750 recognized in OCI).

## 6. EXPLORATION AND EVALUATION PROPERTIES

The Company's exploration and evaluation properties expenditures for the period ended 31 July 2019 and the year ended 31 January 2019 were as follows:

| | Dunford's Project | St. Anthony's Project | Third Pond Project | Total |
|---|---|---|---|---|
| | | | | $ |
| **ACQUISITION COSTS** | | | | |
| Balance, 31 January 2019 | - | - | 5,005 | 5,005 |
| Impairment write-down of exploration properties | - | - | - | - |
| **Balance, 31 July 2019** | **-** | **-** | **5,005** | **5,005** |
| **EXPLORATION AND EVALUATION COSTS** | | | | |
| Balance, 31 January 2019 | - | - | 2,075 | 2,075 |
| Geological and field expenses | - | - | - | - |
| Recovery | - | - | (9,083) | (9,083) |
| **Balance, 31 July 2019** | **-** | **-** | **(7,008)** | **(7,008)** |
| **Total, 31 July 2019** | **-** | **-** | **(2,003)** | **(2,003)** |

(Expressed in Canadian dollars)

| | Dunford's Project | St. Anthony's Project | Third Pond Project | Total |
|---|---|---|---|---|
| | | | | $ |
| ACQUISITION COSTS | | | | |
| Balance, 31 January 2018 | 5,200 | 3,965 | 5,005 | 14,170 |
| Impairment write-down of exploration properties | (5,200) | (3,965) | - | (9,165) |
| Balance, 31 January 2019 | - | - | 5,005 | 5,005 |
| EXPLORATION AND EVALUATION COSTS | | | | |
| Balance, 31 January 2018 | - | - | - | - |
| Geological and field expenses | 2,075 | 9,686 | 2,075 | 13,836 |
| Impairment write-down of exploration properties | (2,075) | (9,686) | - | (11,761) |
| Balance, 31 January 2019 | - | - | 2,075 | 2,075 |
| Total, 31 January 2019 | - | - | 7,080 | 7,080 |

**Newfoundland and Labrador**

The Northern Peninsula Project is situated in the northern peninsula of the island of Newfoundland. The project consists of three claim blocks that are 100% owned by the Company: Dunford's, St. Anthony's and Third Pond Projects.

During the previous year ended 31 January 2019, the Company recorded an impairment write-down of $7,275 and $13,651 related to the Dunford's Project and the St. Anthony's Project respectively (Note 18).

**Bathurst Option JV Base Metals Project (the "BOJV Project")**

The BOJV Project consisted of various claims owned 50% by the Company and 50% by Xstrata Canada Corporation (now Glencore Canada Corporation) and various claims owned 100% by Glencore Canada Corporation.

During the year ended 31 January 2017, the BOJV Project was written down to $Nil.

During the year ended 31 January 2018, the BOJV Project with Glencore and ELN was terminated by mutual consent of the two companies.

**Murray Brook Project**

On 1 November 2010, Votorantim Metals Canada Inc. ("VM Canada") entered into an agreement with Murray Brook Minerals Inc. and Murray Brook Resources Inc. (collectively, "MBM") (the "Murray Brook Agreement") whereby VM Canada could earn 50% interest in the Murray Brook Project by funding $2,250,000 in exploration expenditures and making payments totalling $300,000 over a three-year period that commenced on 1 November 2011. VM Canada earned an additional 20% interest in the Properties by funding an additional $2,250,000 in exploration expenditures over an additional two year period.

On 3 January 2011, the Company entered into a participation agreement with VM Canada whereby it could earn 50% of VM Canada's interest by paying 50% of the costs incurred by VM Canada, pursuant to the Murray Brook Agreement (paid). On the participation agreement date, the Company and VM Canada each held a 35% interest in the Properties.

On 1 July 2015, the Company and VM Canada signed an acknowledgement and agreement relating to the dilution of the Company's interest in the Properties whereby the parties have agreed that the amounts of owing by the Company to VM Canada will be satisfied in full by the dilution of the Company's interest in the Properties. During the period ended 30 April 2018, amounts of $17,596 owing by the Company to VM Canada were satisfied in full by the dilution of the Company's interest in the Murray Brook Project to 31.48% (Notes 8 and 16).

During the previous year ended 31 January 2019, the Company recorded an impairment write-down of $Nil (2018 – $17,596) with respect to the Murray Brook Project (Note 8). As at 31 July 2019, the Company had a 31.48% undivided beneficial interest in the Properties.

On 25 October 2016, the Company executed an asset sale agreement with Puma amended and restated on 10 May 2017 (the "Closing Date"), to relinquish its interest in the Murray Brook Project on the following terms and payments to the Company by Puma (the "Puma Transaction"):

a) $50,000 non-refundable deposit payable on the execution of this agreement (received);

b) $250,000 cash and issuance of 5,000,000 shares by Purchaser to Vendor on Closing Date (received) (Notes 5 and 16);

c) 2,000,000 warrants at the closing date (received), which warrants will give the Company the right to buy 2,000,000 ordinary shares in the capital of Puma at any time within the 36 month period after the Closing Date for the following exercise prices (Notes 5 and 16):

    i. 0 to Year 1: Equal to the price of the acquisition equity financing of $0.07 per share;
    ii. Year 1 to Year 2 (4 May 2019): a 20% premium to the price indicated in i) above of $0.08 per share.

(Expressed in Canadian dollars)

iii. Year 2 to Year 3 (until 4 May 2020): a 20% premium to the price indicated in ii) above of $0.10 per share.

d) $400,000 cash 6 months after the closing date in the event Puma raises an additional $1,000,000 within the first 6 months or the amount of $500,000 cash 12 months after the closing date (received);

e) $1,000,000 cash 12 months after the closing date (received);

f) $1,000,000 cash 24 months after the closing date (see amendment to date below);

g) Net Smelter Return Royalty based on quarterly zinc London Metal Exchange ("LME") Price per USD metric ton as follows:

| Quarterly Zinc LME Price band in USD/mt | Approximate Equivalency in USD/lb of lower range of zinc LME price band | NSR% |
|---|---|---|
| < 2,300 | < 1.04 | 0% |
| 2,300 to < 2,500 | 1.04 – 1.12 | 0.50% |
| 2,500 to < 2,700 | 1.13 – 1.22 | 0.75% |
| 2,700 to < 2,900 | 1.23 – 1.31 | 1.00% |
| 2,900 to < 3,100 | 1.32 – 1.40 | 1.25% |
| 3,100 to < 3,300 | 1.41 – 1.49 | 1.50% |
| >/= 3,300 | > 1.50 | 1.75% |

h) Puma assuming all liabilities relating to the conduct of the Murray Brook Project from and after the closing date and all liabilities of the Company under the Murray Brook Agreements.

During the previous year ended 31 January 2019, the Company recovered exploration and evaluation costs of $1,500,000 (2018 – $625,000), which is comprised of cash of $1,500,000 (2018 – $250,000), Nil shares (2018 – 5,000,000 shares) valued at $Nil (2018 – $375,000) and Nil warrants (2018 – 2,000,000 warrants) warrants valued at $Nil (2018 – $Nil), pursuant to the Puma Transaction.

On 29 March 2019, the Company further amended the Puma Transaction and extended the amount of $1,000,000 cash to be paid on 30 June 2019. In addition, the amendment terms include 1,000,000 shares of Puma to be issued at the latest of 15 days following the approval of the Exchange (Note 18).

On 8 July 2019, the Company further amended the Puma Transaction and extended the amount of $1,000,000 cash to be paid on 30 June 2020. In addition, the amendment terms include an additional quarterly fee for extension of the purchase agreement. Puma shall pay the amount of $30,000 to ELN on or prior to each of the 30 July, 30 September, 31 December 2019 and 31 March 2020. The total $120,000 is payable even if Puma pays out the $1,000,000 payment before 30 June 2020.

(Expressed in Canadian dollars)

## 7. PROPERTY, PLANT AND EQUIPMENT

A summary of changes in the Company's property, plant and equipment for the period ended 31 July 2019 and year ended 31 January 2019 as follows:

| | Automobile | Furniture and fixtures | Software | Total |
|---|---|---|---|---|
| **COST** | $ | $ | $ | $ |
| As at 31 January 2019 | 33,042 | - | - | 33,042 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| **As at 31 July 2019** | **33,042** | **-** | **-** | **33,042** |
| **DEPRECIATION** | | | | |
| As at 31 January 2019 | 2,974 | - | - | 2,974 |
| Depreciation | 2,974 | - | - | 2,974 |
| Disposals | - | - | - | - |
| **As at 31 July 2019** | **5,948** | **-** | **-** | **5,948** |
| **NET BOOK VALUE** | | | | |
| As at 31 January 2019 | 30,068 | - | - | 30,068 |
| **As at 31 July 2019** | **27,094** | **-** | **-** | **27,094** |

During the previous year ended 31 January 2019, the Company disposed of Furnitures and fixtures and Software with a net book value of $Nil. A gain/loss of $Nil was recorded related to the disposal of the capital assets.

(Expressed in Canadian dollars)

## 8. TRADE PAYABLES AND ACCRUED LIABILITIES

The Company's trade payables and accrued liabilities are principally comprised of amounts outstanding for trade purchases relating to exploration and evaluation activities and amounts payable for general operations. These are broken down as follows:

| | **31 July 2019** | 31 January 2019 |
|---|---|---|
| | **$** | $ |
| Trade payables | **3,864** | 2,970 |
| Accrued liabilities | **-** | 26,000 |
| **Total** | **3,864** | 28,970 |

## 9. SHARE CAPITAL

### 9.1 Authorized share capital

The Company has authorized an unlimited number of common and preferred shares with no par value. As at 31 July 2019, the Company had 61,611,966 common shares outstanding (31 January 2019: 61,611,966) and no preferred shares outstanding.

### 9.2 Shares issuances

During the period ended 31 July 2019, the Company did not issue additional common shares.

### 9.3 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the period ended 31 July 2019 and year ended 31 January 2019:

| **As at** | **31 July 2019** | | 31 January 2019 | |
|---|---|---|---|---|
| | **Number of warrants** | **Weighted average Exercise price** | Number of warrants | Weighted average Exercise price |
| Outstanding, beginning of year | **22,697,750** | **$0.05** | 22,774,750 | $0.05 |
| Granted | **-** | **-** | 22,697,750 | $0.05 |
| Exercised | **-** | **-** | - | - |
| Cancelled | **-** | **-** | (22,697,750) | $0.05 |
| Expired | **-** | **-** | (77,000) | $0.05 |
| **Outstanding, end of period** | **22,697,750** | **$0.05** | 22,697,750 | $0.05 |

The following table summarizes information regarding share purchase warrants outstanding as at 31 July 2019:

(Expressed in Canadian dollars)

| Expiry Date | Number of warrants outstanding | Weighted-average remaining contractual life (years) | Weighted average exercise Price |
|---|---|---|---|
| **Share purchase warrants** | | | |
| 20 June 2021 | 22,697,750 | 2.39 | $0.05 |
| **Total warrants outstanding and exercisable** | **22,697,750** | **2.39** | **$0.05** |

On 6 June 2018, the Company amended the terms of 22,697,750 share purchase warrants originally granted on 20 June 2016 to extend the expiry date from 20 June 2018 to 20 June 2021. The Company recognized an incremental fair value of $Nil on the amended share purchase warrants. The amended warrants have an exercise price of $0.05 per common share.

**9.4 Stock options**

The Company has adopted a stock option plan (the “Plan”) whereby, the Company may grant stock options up to a maximum of 20% of the number of issued shares of the Company. The exercise price of any options granted under the plan will be determined by the Board of Directors (the “Board”), at its sole discretion, but shall not be less than the last closing price of the Company’s common shares on the day before the date on which the Board grants such options, less the maximum discount permitted under the policies of the TSXV.

The following is a summary of the changes in the Company’s stock option plan for the period ended 31 July 2019 and year ended 31 January 2019:

| **As at** | **31 July 2019** | | 31 January 2019 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Outstanding, beginning of year | **7,960,000** | **$0.06** | 5,810,000 | $0.06 |
| Granted | **-** | **-** | 2,150,000 | $0.09 |
| Exercised | **-** | **-** | - | - |
| Expired | **(1,835,000)** | **-** | - | - |
| Forfeited | **(1,400,000)** | **-** | - | - |
| **Outstanding, end of period** | **4,725,000** | **$0.07** | 7,960,000 | $0.07 |
| **Exercisable, end of period** | **4,725,000** | **$0.06** | 6,301,664 | $0.06 |

The following table summarizes information regarding stock options outstanding and exercisable as at 31 July 2019:

(Expressed in Canadian dollars)

| Grant date | Expiry date | Options outstanding (#) | Exercise Price ($) | Weighted Average Life (years) | Options exercisable (#) |
|---|---|---|---|---|---|
| 1 November 2017 | 1 November 2022 | 2,425,000 | 0.05 | 3.75 | 2,425,000 |
| 2 January 2018 | 2 January 2023 | 350,000 | 0.07 | 3.92 | 350,000 |
| 11 April 2018 | 11 April 2023 | 150,000 | 0.05 | 4.19 | 100,000 |
| 1 May 2018 | 1 May 2023 | 300,000 | 0.07 | 4.25 | 150,000 |
| 1 June 2018 | 1 June 2023 | 100,000 | 0.07 | 4.33 | 25,000 |
| 5 July 2018 | 5 July 2023 | 1,300,000 | 0.10 | 4.43 | 1,300,000 |
| 18 October 2018 | 18 October 2023 | 100,000 | 0.10 | 4.72 | 100,000 |
| | | **4,725,000** | **0.07** | **3.11** | **4,725,000** |

The fair value of the Nil stock options (2018 – 2,150,000) granted during period ended 31 July 2019 and 2018 was estimated at $Nil (31 January 2019: $91,786.31) (Note 10). The weighted average assumptions used for the calculations were:

| | **31 July 2019** | 31 January 2019 |
|---|---|---|
| Risk free interest rate | - | 2.13% |
| Expected life | - | 5 years |
| Expected volatility | - | 234.20% |
| Expected dividend per share | - | - |
| Expected forfeiture | - | - |

## 10. SHARE-BASED PAYMENTS

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which $Nil ($60,683) was recognized in the period ending 31 July 2019. (Note 10):

| Grant date | Fair value | **Amount vested in 31 July 2019** | Amount vested in 31 July 2018 |
|---|---|---|---|
| | $ | **$** | $ |
| 18 October 2018 | 14,595 | **-** | - |
| 5 July 2018 | 51,402 | **-** | - |
| 1 June 2018 | 4,958 | **-** | - |
| 1 May 2018 | 14,877 | **-** | - |
| 11 April 2018 | 5,954 | **-** | - |
| 2 January 2018 | 6,675 | **-** | 1,084 |
| 1 November 2017 | 115,674 | **-** | 59,599 |
| **Total** | 214,135 | **-** | 60,683 |

(Expressed in Canadian dollars)

## 11. INCOME (LOSS) PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

| | **Three months ended 31 July 2019** | Three months ended 31 July 2018 | **Six months ended 31 July 2019** | Six months ended 31 July 2018 |
|---|---|---|---|---|
| Net income (loss) for the period | **$ (73,197)** | $ (130,997) | **$ 166,397** | $ 1,208,010 |
| Weighted average number of shares – basic and diluted | **61,611,966** | 61,611,966 | **61,111,966** | 61,611,966 |
| **Incme (loss) per share, basic and diluted** | **$ (0.002)** | $ (0.002) | **$ 0.020** | $ 0.020 |

The basic income per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted income per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and warrants were anti-dilutive for the periods ended 31 July 2019 and 2018.

## 12. CAPITAL RISK MANAGEMENT

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements and continue the exploration of its mineral properties.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administration costs, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not subject to any externally imposed capital requirements. There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital.

(Expressed in Canadian dollars)

## 13. FINANCIAL INSTRUMENTS

### 13.1 Categories of financial instruments

| | **As at 31 July 2019** | As at 31 January 2019 |
|---|---|---|
| **FINANCIAL ASSETS** | **$** | $ |
| **Amortized cost** | | |
| Cash | **1,244,950** | 544,018 |
| GIC (cash equivalent) | **-** | 500,000 |
| **FVTPL** | | |
| Cash | **-** | - |
| Money market funds (cash equivalent) | **-** | 381,591 |
| Short term investments | **25,040** | 27,290 |
| **Loans and receivables, at amortized cost** | | |
| Due from related parties | **-** | - |
| **Available-for-sale, at fair value** | | |
| Short term investments | **-** | - |
| **Total financial assets** | **1,269,990** | 1,452,899 |
| **FINANCIAL LIABILITIES** | | |
| **Amortized cost** | | |
| Trade payables | **3,864** | 2,970 |
| Due to related parties | **10,592** | 12,742 |
| **Other financial liabilities, at amortized cost** | | |
| Trade payables | **-** | - |
| Due to related parties | **-** | - |
| **Total financial liabilities** | **14,456** | 15,712 |

(Expressed in Canadian dollars)

### 13.2 Fair value

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

| **As at 31 July 2019** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Financial assets at fair value** | | | | |
| Cash equivalents | 381,587 | - | - | 381,587 |
| Short term investments [(1)] | 3,750 | - | 22,040 | 25,790 |
| **Total financial assets at fair value** | **385,337** | **-** | **22,040** | **407,377** |

[(1)] The Puma warrants are determined to be a Level 3 measurement using a binomial model where the inputs are unobservable due to the warrants not being traded in an active market (Notes 2 and 5).

There were no transfers between Level 1, 2 and 3 during the year ended 31 July 2019 other than as required by the adoption of IFRS 9 (Note 2).

| As at 31 January 2019 | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Financial assets at fair value** | | | | |
| Cash and cash equivalents | 381,591 | - | - | 381,591 |
| Short term investments | 5,250 | - | 22,040 | 27,290 |
| Total financial assets at fair value | 386,841 | - | 22,040 | 408,881 |

There were no transfers between Level 1, 2 and 3 during the year ended 31 January 2019.

**13.3 Management of financial risks,**

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Credit risk**

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. As a result, the Company is not subject to a significant credit risk. The Company does not consider any of its financial assets to be impaired.

**Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due (Note 1.1). The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has no source of revenue and has obligations to meet its administrative overheads, maintain its mineral investments and to settle amounts payable to its creditors. As at 31 July 2019, the Company had a cash balance of $1,244,950 (31 January 2019: $1,425,609) and gross receivables of $4,483 (31 January 2019: $3,169) to settle current liabilities due in twelve months or less of $3,864 (31 January 2019: $28,970) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and liquidation of its marketable securities, either partial or in full, to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

**Currency risk**

For the period ended 31 July 2019, the Company's operations were solely in Canada. The Company considers its currency risk to be insignificant.

**Other market risks**

The Company is not subject to any other market risks, including interest rate risk and commodity price risk.

(Expressed in Canadian dollars)

## 14. RELATED PARTY TRANSACTIONS

For the periods ended 31 July 2019 and 2018, the Company had related party transactions with the following companies related by way of directors, management or shareholders in common:

- New Age Metals Inc., a company with management and certain directors in common with the Company. New Age Metals Inc. pays shared office costs to the Company on a month-to-month basis.
- Canadian Gravity Recovery Inc. ("CGR"), a company owned by the Chief Executive Officer ("CEO") of the Company. CGR provides consulting services on a month-to-month basis.
- 3846717 Canada Inc., a company owned by the CEO of the Company. 3846717 Canada Inc. provides management services on a five year term effective 1 June 2018 (Note 17).
- 3699030 Canada Inc., a company owned by the CEO of the Company. 3699030 Canada Inc. provides rental and shared office costs to the Company on a month-to-month basis.
- Trelich Bay Capital ("Trelich"), a company owned by the former Chief Operating Officer ("COO") of the Company. Trelich provides consulting services on a month-to-month basis. The agreement was terminated effective 30 June 2018.
- 873285 B.C. Ltd., a company owned by the Corporate Secretary of the Company. 873285 B.C. Ltd. provides consulting services on a month-to-month basis.

### 14.1 Related party expenses

The Company's related party expenses paid and/or accrued during the perods ended 31 July 2019 and 2018 are as follows:

| | **31 July 2019** | 31 July 2018 |
|---|---|---|
| | **$** | $ |
| Consulting fees | **-** | 5,923 |
| Shared office costs | **22,916** | 29,027 |
| **Total related party expenses to New Age Metals Inc.** | **22,916** | 35,020 |
| Consulting fees paid/accrued to CEO | **60,000** | 120,000 |
| Consulting fees paid/accrued to former COO | **-** | 75,000 |
| Consulting fees paid to CFO | **21,000** | 21,000 |
| Consulting fees paid to Corporate Secretary | **12,000** | 12,300 |
| **Total related party expenses** | **93,000** | 228,300 |

(Expressed in Canadian dollars)

**14.2 Due from/to related parties**

The assets and liabilities of the Company include the following amounts due to/from related parties:

| | **31 July 2019** | 31 January 2019 |
|---|---|---|
| | **$** | $ |
| Key management personnel | **-** | 265 |
| New Age Metals Inc. | **10,592** | 12,477 |
| **Total amount due to related parties** | **10,592** | 12,742 |

The amounts due to/from related parties are non-interest bearing, unsecured and due on demand.

**14.3 Key management personnel compensation**

The remuneration of directors and other members of key management were as follows:

| | **31 July 2019** | 31 July 2018 |
|---|---|---|
| | **$** | $ |
| Short-term benefits – management and consulting fees | **-** | - |
| Share-based payments (Note 10) | **-** | - |
| **Total key management personnel compensation** | **-** | - |

## 15. SUPPLEMENTAL CASH FLOW INFORMATION

**15.1 Cash payments for interest and taxes**

The Company made the following cash payments for interest and income taxes:

| | **31 July 2019** | 31 July 2018 |
|---|---|---|
| | **$** | $ |
| Interest paid | **-** | - |
| Income taxes paid | **-** | - |
| **Total cash payments** | **-** | - |

The Company incurred the following non-cash investing and financing transactions:

During the period ended 31 July 2019, the Company settled trades payable owing to VM Canada in the amount of $Nil (31 January 2019: $17,596) by way of dilution of the Company's interest in the Murray Brook Properties (Notes 6 and 8).

During the period ended 31 July 2019, the Company received Nil shares (2018 – 5,000,000 shares valued at $375,000) and Nil warrants (2018 – 2,000,000 warrants valued at $Nil) of Puma Exploration Inc. related to the Murray Brook Asset Purchase Agreement (Notes 5 and 6).

## 16. COMMITMENTS and CONTINGENCIES

As at 31 July 2019, the Company had the following contingent liabilities:

a) During the period ended 31 July 2019, the Company did not obtain a director's and officer's insurance policy. The Company currently self-insures and has established no reserves for insurance-related contingencies. Rather, the Company assesses each contingency, if any, as it arises to determine estimates of the degree of probability and range of possible settlement. Those contingencies which are deemed to be probable and where the amount of such settlement is reasonably estimable, are then accrued in the Company's financial statements. If only a range of loss can be determined, the best estimate within that range is accrued.

   The assessment of contingencies is a highly subjective process that requires judgments regarding future events. Insurance contingencies are reviewed at least annually to determine the adequacy of the accruals and whether related financial statement disclosure is required. The ultimate settlement of insurance contingencies may differ materially from amounts accrued in the financial statements.

b) The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may be payable as a result of the Company not making eligible expenditures.

c) The Company regularly assesses its income tax and related non income tax amounts and obligations and the related filing obligations in Canada. It is management's position that adequate provisions have been made in the financial statements related to such obligations. However, there exists uncertainty due to the fact that the Company could be assessed differently by tax and/or other regulatory authorities in a manner that is not consistent with management's expectation. This situation would result in management being required to adjust its provision for income taxes and related non income tax amounts in the period that such a situation occurs and such adjustments could be material.

d) The Company's exploration and evaluation activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the government. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

e) Effective 1 June 2016, the Company entered into a consulting agreement with a third party individual for $17 per hour to office manager services.

f) Effective 1 March 2016, the Company entered into a consulting agreement with a third party individual for $50 per hour to provide assistant services.

g) Effective 1 November 2016, the Company entered into a consulting agreement with a company controlled by the corporate secretary for $4,000 per month.

h) Effective 15 May 2017, the Company entered into a consulting agreement with a third party individual for $4,000 per month to provide corporate development consulting services.

i) Effective 20 November 2017, the Company entered into a consulting agreement with a third party individual to provide corporate development consulting services.

j) Effective 1 December 2017, the Company entered into a consulting agreement with a third party individual to provide consulting and advisory services. The Company will issue stock options to the consultant periodically.

k) Effective 15 January 2018, the Company entered into a consulting agreement with a third party individual to provide services in the business development department.

l) Effective 1 May 2018, the Company entered into a consulting agreement with third party individuals to provide corporate development consulting services.

m) Effective 1 June 2018, the Company entered into a management agreement with 3846717 Canada Inc., a company owned by the CEO for $10,000 per month to provide consulting and management services (Note 15).

n) Effective 5 July 2018, the Company entered into several consulting agreements with third party individuals to provide consulting and advisory services. The Company will issue stock options to the consultant periodically.

o) Effective 15 August 2018, the Company entered into a consulting agreement with a third party individual to provide services in the corporate development consulting services.

p) In prior years, the Company entered into arbitrated dispute proceedings with GCP Group Ltd. ("GCP Group") related to its efforts to assert its legal and effective control over the Kasala Mineral Research Permits and the Company's interest in Infinity Resources SPRL ("Infinity") in the Democratic Republic of the Congo. The Company was granted award on 21 March 2014 pursuant to the arbitration, including control of all assets of Infinity but was not successful in asserting its legal and effective control over Infinity.

It is management's position that no further action would be taken related to the above.

There is no assurance that further formal claims will not be made against the Company by GCP Group or other related parties.

## 17. EVENTS AFTER THE REPORTING PERIOD

There are no reportable subsequent events from the period 31 July 2019.

## 18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Company for the period ended 31 July 2019 were approved and authorized by the Board of Directors on September 4, 2019.