CBLT Inc.

Condensed Interim Financial Statements

Three Months ended August 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

CBLT INC.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of CBLT Inc. were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Brian Crawford
Brian Crawford, Chief Financial Officer

/s/ Peter M. Clausi
Peter M. Clausi, Chief Executive Officer

CBLT INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	August 31, 2019	May 31, 2019
ASSETS		
Current		
Cash	**$ 4,704**	$ 22,564
Investments (Note 5)	**360,295**	378,660
Sundry receivables	**2,625**	8,724
Prepaid expenses	**9,703**	9,248
	$ 377,327	$ 419,196
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 270,112**	$ 230,280
Provision for indemnification of flow-through subscribers (Note 10)	**240,000**	240,000
	510,112	470,280
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**4,052,529**	4,052,529
Contributed surplus	**514,705**	514,705
Deficit	**(4,700,019)**	(4,618,318)
	(132,785)	(51,084)
	$ 377,327	$ 419,196

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

Nature of business and going concern (Note 1)

APPROVED BY THE BOARD

(s) Peter Clausi Director

(s) Brian Crawford Director

CBLT INC.
Condensed Interim, Statements of Net Income and Comprehensive Income
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended August 31	
	2019	2018
Expenses		
General and administrative	**$ 38,383**	$ 67,898
Professional fees	**11,441**	6,183
Filing and transfer agent fees	**13,512**	3,547
	(63,336)	(77,628)
Other income (expense)		
Gain on settlement of debt	**-**	12,625
Gain on sale of mineral properties	**-**	261,833
(Loss) gain on investments-unrealized	**(18,365)**	13,953
	(18,365)	288,411
(Loss) income before income taxes	**(81,701)**	210,783
Deferred tax benefit	**-**	1,431
Net (loss) income and comprehensive (loss) Income for the period	**$ (81,701)**	$ 212,214
(Loss) income per share-basic and diluted	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**70,235,359**	49,368,435

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

CBLT INC.
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares	Contributed Surplus	Deficit	Total
Balance, May 31, 2018	$ 3,534,864	$ 394,195	$ (2,668,080)	$ 1,260,979
Shares issued as finders fee	1,540	-	-	-
Net income and comprehensive income	-	-	212,214	212,214
Balance, August 31, 2018	$ 3,536,404	$ 394,195	$ (2,455,866)	$ 1,474,733
Shares issued – mining claims	525,000	-	-	525,000
Cost of issue – cash	(8,875)	-	-	(8,875)
Warrants issued-mining claims	-	288,629	-	288,629
Compensation warrants expired	-	(17,159)	17,159	-
Options and warrants expired	-	(150,960)	150,960	-
Net loss and comprehensive loss			(2,330,571)	(2,330,571)
Balance, May 31, 2019	$ 4,052,529	$ 514,705	$ (4,618,318)	$ (51,084)
Net loss and comprehensive loss	-	-	(81,701)	(81,701)
Balance, August 31, 2019	$ 4,052,529	$ 514,705	$ (4,689,619)	$ (132,785)

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

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

		Three months ended August 31		
		2019		2018
Cash provided by (used in)				
OPERATING ACTIVITIES				
Net (loss) income for the period	**$**	**(81,701)**	$	212,214
Items not affecting cash and cash equivalents				
Deferred income taxes		**-**		(1,431)
Gain on settlement of debt		**-**		(12,625)
Gain on sale of mineral properties		**-**		(261,833)
Unrealized loss (gain) on investments		**18,365**		(13,953)
Changes in non-cash working capital items				
Sundry receivables		**6,099**		(3,471)
Prepaid expenses		**(455)**		(3,458)
Accounts payable and accrued liabilities		**39,832**		1,893
		(17,860)		(82,664)
INVESTING ACTIVITIES				
Deferred exploration costs		**-**		(5,704)
Proceeds on sale of mineral properties		**-**		148,530
		-		142,826
FINANCING ACTIVITIES				
Repayment of promissory note		**-**		(30,000)
		-		(30,000)
Change in cash		**(17,860)**		30,162
Cash, beginning of period		**22,564**		106,730
Cash, end of period	**$**	**4,704**	$	136,892
Supplemental schedule of non-cash transactions				
Fair value of non-cash proceeds of disposal of exploration and evaluation assets	**$**	**-**	$	163,101
Shares issued as finders fee		**-**		(1,540)

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

1. NATURE OF BUSINESS AND GOING CONCERN

CBLT Inc. (the "Company"), was incorporated under the Canada Business Corporations Act on April 28, 2008 and was continued under the Ontario Business Corporations Act on April 24, 2017.

The Company's shares are listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at 855 Brant Street, Burlington, Ontario, Canada L7R 2J6.

The condensed interim financial statements of the Company for the three months ended August 31, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on December 17, 2019.

The Company is primarily engaged in the business of acquiring, exploring and dealing in mineral properties in Canada. There has been no determination whether properties held contain economically recoverable mineral resources.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Presentation

These condensed interim financial statements have been prepared on the basis of accounting policies consistent with those applied in the Company's May 31, 2019 annual financial statements except for the new accounting pronouncements adopted during the period and disclosed below.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

The preparation of condensed interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the applications of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

The condensed interim financial statements have been prepared on a historical cost basis.

Accounting standards adopted

During the period, the Company adopted the following accounting standard the standard did not have a significant impact on the Company's financial results:

- IFRS 16 Leases;

3. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Fair value

The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into three levels to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the

3. FINANCIAL RISK FACTORS – continued

fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with a reputable Canadian chartered bank.

Management believes that the credit risk concentration with respect to financial instruments included is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2019, the Company had cash of $4,704 (August 31, 2018 - $136,892). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (Note 1).

Market risk

(a) Interest rate risk

The Company has a cash balance and no interest-bearing debt. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(b) Foreign currency risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency rates. The Company has investments that are denominated in Australian dollars. As a result, the Company is exposed to foreign currency risk with respect to its investments denominated in Australian dollars.

(c) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the business in which the investment is held.

3. FINANCIAL RISK FACTORS – continued

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to gold to determine the appropriate course of action to be taken.

4. EXPLORATION AND EVALUATION ASSETS

Copper Prince

On June 14, 2016, the Company acquired a 100% interest in the Copper Prince property. As consideration the Company made a cash payment of $10,000 and issued 200,000 common shares at $0.08 per common share in favour of the vendor.

The property is subject to a 2% net smelter return royalty.

On August 4, 2016, the Company staked 4 mineral claims for a cash cost of $4,400. The claims are not adjacent to the Copper Prince property.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $212,929.

During Q1 of fiscal 2020 the Company carried out no exploration and evaluation activities on the property.

Chilton Cobalt

On February 27, 2017, the Company acquired a 100% interest in the Chilton Cobalt property located in the Laurentian Region of Quebec. As consideration the Company issued 150,000 common shares at $0.07 per common share and 150,000 share purchase warrants exercisable at $0.10 per common share in favour of the vendor. The share purchase warrants issued for one property were assigned a fair value of $13,788 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 192%; risk-free interest rate of 1.20%; and an expected maturity of one year.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $140,719.

During Q1 of fiscal 2020 the Company carried out no exploration and evaluation activities.

Gowganda Cobalt

On May 12, 2017, the Company acquired a 100% interest in the Gowganda Cobalt property located near Gowganda, Ontario. As consideration the Company made a cash payment of $67,650 and issued 562,500 common shares at $0.08 per common share and issued 562,500

4. EXPLORATION AND EVALUATION ASSETS – continued

share purchase warrants exercisable at $0.10 in favour of the vendor. The share purchase warrants were assigned a fair value of $37,296 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 187%; risk-free interest rate of 1.20%; and an expected maturity of one year.

The property is subject to a 2% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During fiscal 2018 the Company sold and/or optioned certain mineral claims comprising the Gowganda Cobalt property, and retained the Calcite and United Reef properties.

Geneva Lake

On November 12, 2012, the Company acquired a 100% interest in the Geneva Lake property. As consideration, the Company issued 200,000 common shares at a deemed price of $0.10 per common share and 200,000 share purchase warrants exercisable at $0.20 per common share in favour of the vendor. The fair value of the share purchase warrants has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.20%, dividend yield of 0%, volatility of 100%, and expected life of two years.

The property is subject to a 2.0% net smelter return royalty of which the Company can purchase a 50% interest at any time for $500,000.

During the 2018 fiscal year, the Company carried out no exploration and evaluation expenditures on the Geneva Lake property.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $341,360.

No work was carried out during Q1 of fiscal 2020 on the Geneva Lake property.

MacTrack

On February 2, 2018, the Company acquired a 100% interest in the MacTrack property located in Northern Ontario.

As consideration the Company made a cash payment of $10,000 and issued 211,500 common shares valued at $16,920, including 24,000 finders fee shares, at $0.08.

During Q1 of fiscal 2019 the Company sold the property along with the Dickson property and realized a gain on sale in aggregate of $261,833.

4. EXPLORATION AND EVALUATION ASSETS – continued

Dickson

On April 6, 2018, the Company acquired a 100% interest in the Dickson property located in Northern Ontario.

As consideration the Company made a cash payment of $20,000.

During Q1 of fiscal 2019 the Company sold the property along with the MacTrack property and realized a gain on sale in aggregate of $261,833.

Northshore

On March 12, 2019, the Company acquired a 56% interest in the Northshore property along with a 100% interest in the Big Duck Lake property, a 100% interest in the Auden property and a 100% interest in the Burnt Pond property by issuing 21,000,000 common shares at $0.025 and 21,000,000 share purchase warrants exercisable at $0.08. The share purchase warrants were assigned a fair value of $288,629 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 154%; risk-free interest rate of 1.57%; and an expected maturity of two years. The purchase price was allocated among the four properties on the basis of management's judgement as follows: Northshore-$522,112, Big Duck Lake-$194,345, Auden-$58,304, and Burnt Pond-$38,869.

The Northshore property, located in Northern Ontario, is co-owned pursuant to a joint venture agreement with Balmoral Resources Ltd. Under the terms of the joint venture agreement, the Company is the operator under the joint venture agreement.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $522112.

No work was carried out during Q1 of fiscal 2020 on the Northshore property

Big Duck Lake

On March 12, 2019, the Company acquired a 56% interest in the Northshore property along with a 100% interest in the Big Duck Lake property, a 100% interest in the Auden property and a 100% interest in the Burnt Pond property by issuing 21,000,000 common shares at $0.025 and 21,000,000 share purchase warrants exercisable at $0.08. The share purchase warrants were assigned a fair value of $288,629 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 154%; risk-free interest rate of 1.57%; and an expected maturity of two years. The purchase price was allocated among the four properties on the basis of management's judgement as follows: Northshore-$522,112, Big Duck Lake-$194,345, Auden-$58,304, and Burnt Pond-$38,869.

4. EXPLORATION AND EVALUATION ASSETS – continued

The Big Duck Lake property, located in Northern Ontario, is subject to a 2% net smelter return royalty in favour of previous owners of the claims. The Company may purchase one-half of the royalty for an aggregate amount of $1,000,000 at any time.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $194,375.

No work was carried out during Q1 of fiscal 2020 on the Big Duck Lake property.

Auden

On March 12, 2019, the Company acquired a 56% interest in the Northshore property along with a 100% interest in the Big Duck Lake property, a 100% interest in the Auden property and a 100% interest in the Burnt Pond property by issuing 21,000,000 common shares at $0.025 and 21,000,000 share purchase warrants exercisable at $0.08. The share purchase warrants were assigned a fair value of $288,629 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 154%; risk-free interest rate of 1.57%; and an expected maturity of two years. The purchase price was allocated among the four properties on the basis of management's judgement as follows: Northshore-$522,112, Big Duck Lake-$194,345, Auden-$58,304, and Burnt Pond-$38,869.

The Auden property, located in Northern Ontario, is subject to a 3% net smelter return and a 10% gross overriding in royalty in favour of previous owners of the claims. The Company may purchase one-half of each royalty for an aggregate amount of $2,000,000 at any time.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $58,304.

Burnt Pond

On March 12, 2019, the Company acquired a 56% interest in the Northshore property along with a 100% interest in the Big Duck Lake property, a 100% interest in the Auden property and a 100% interest in the Burnt Pond property by issuing 21,000,000 common shares at $0.025 and 21,000,000 share purchase warrants exercisable at $0.08. The share purchase warrants were assigned a fair value of $288,629 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 154%; risk-free interest rate of 1.57%; and an expected maturity of two years. The purchase price was allocated among the four properties on the basis of management's judgement as follows: Northshore-$522,112, Big Duck Lake-$194,345, Auden-$58,304, and Burnt Pond-$38,869.

The Burnt Pond Zinc-Copper Property in central Newfoundland is located in the Tally Pond volcanic belt which hosts Teck Resources Ltd's Duck Pond Mine and a number of other Copper-Zinc-Silver-Gold massive sulphide deposits.

4. EXPLORATION AND EVALUATION ASSETS – continued

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $38,869.

No work was carried out during Q1 of fiscal 2020 on the Burnt Pond property.

Ryliejack

On January 31, 2012, the Company acquired a 100% interest in the Peggy, Ryliejack and SK West properties. Pursuant to the purchase agreement, the Company made cash payment of $7,500 and issued 500,000 common shares at a deemed price of $0.15 per common share and 100,000 share purchase warrants exercisable at $0.15 per common share of the Company in favour of the vendor.

The fair value of the share purchase warrants has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.20%, dividend yield of 0%, volatility of 100%, and expected life of one year.

The property is subject to a 2.5% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2014 fiscal year impairment in the amount of $40,810 was recorded with respect to three mining tenures.

During the 2015 fiscal year impairment in the amount of $57,937 was recorded with respect to five mining tenures. The amount represents the carrying value of tenures not renewed. The remaining property is the Ryliejack property.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $141,578.

No work was carried out during Q1 of fiscal 2020 on the Ryliejack property.

Mikayla

On March 2, 2012, the Company acquired a 100% interest in the Mikayla, Tat and Chess properties. Pursuant to the purchase agreement, the Company made cash payment in the amount of $9,294 and issued 150,000 common shares at a deemed price of $0.20 per common share.

The properties are subject to a 2.5% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2013 fiscal year the Company determined that it would not renew the tenures comprising the Tat and Chess properties when they became due for renewal subsequent to the year end and consequently wrote down the carrying value of the properties. Consequently,

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS – continued

impairment in the amount of $34,365 was recognized for these tenures. The amount represents the carrying value of tenures not renewed.

During the 2019 fiscal year, management determined there were indicators of impairment on the property, and accordingly, recorded an impairment charge of $141,578.

No work was carried out during Q1 of fiscal 2020 on the Mikayla property.

5. INVESTMENT

		2019		2018
Tempus Capital Inc.-common shares	**$**	**-**	$	87,811
Ionic Brands Corp.-common shares		**19**		1,008
Speakeasy Cannabis Club Ltd.-common shares		**2,400**		5,080
Global Health Clinics Ltd.-common shares		**36**		5,232
Winmar Resources Limited-common shares		**357,840**		398,920
Krakatoa Resources Limited-common shares		**-**		72,922
Krakatoa Resources Limited-options		**-**		14,585
International Cobalt Resources Limited - shares		**-**		145,845
International Cobalt Resources Limited - options		**-**		1
	$	**360,295**	$	721,404

The investment in Ionic Brands Corp., Global Health Clinics Ltd., and Speakeasy Cannabis Club Ltd. represent 133, 960, and 4,000 common shares respectively.

The common shares of Ionic Brands Corp., Speakeasy Cannabis Club Ltd. and Global Health Clinics Ltd. are listed on the Canadian Securities Exchange. The fair value of the shares has been adjusted to reflect market value resulting in an unrealized loss of $1,246 (2018- $7,620).

The investment in Winmar Resources Limited consists of 16,666,667 common shares. The fair value of the shares reflect the closing market price at June 4, 2018 the date the shares were halt traded from the Australian Stock Exchange, resulting in an unrealized loss of $17,120 (2018- gainn of $29,477). The Company has performed an analysis of the activities including financings since June 4, 2018 and has determined there are no indicators that this value has changed significantly prior to the end of the reporting period.

A 10% change in the fair value of the investment in Winmar Investments Limited would result in a corresponding +/- $35,784 (August 31, 2018 +/- $39,892) change to the fair value of the investments. The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such

(Expressed in Canadian Dollars)

5. INVESTMENT – continued

changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments.

6. SHARE CAPITAL

Authorized

Unlimited number of common shares

Issued

	Number of Shares	Share Capital
Balance May 31, 2018	**49,196,859**	**$ 3,534,864**
Shares issued as finders fee	38,500	1,540
Balance August 31, 2018	**49,235,359**	**$ 3,536,404**
Shares issued for mineral properties	21,000,000	525,000
Share issue costs		(8,875)
Balance May 31, 2019 and August 31, 2019	**70,235,359**	**4,052,529**

7. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions and the number of share purchase warrants outstanding as at August 31, 2019 are summarized as follows:

	Number	Exercise Price	Expiry Date
Acquisition of mineral properties	21,000,000	$0.08	March 12, 2021

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified.

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted Average Exercise Price
Balance May 31, 2018	**3,776,000**	**$ 0.09**
Exercised	-	0.00
Granted	-	0.00
Balance August 31, 2018	**3,776,000**	**0.09**
Cancelled or expired	(957,000)	0.11
Granted	-	0.00
Balance May 31, 2019	**2,819,000**	**0.08**
Expired	(35,000)	0.09
Balance August 31, 2019	**2,784,000**	**$ 0.08**

At August 31, 2019, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
825,000	825,000	0.05	May 26, 2021
225,000	225,000	0.06	October 27, 2021
350,000	350,000	0.08	February 24, 2022
775,000	775,000	0.11	April 7, 2022
609,000	609,000	0.10	June 19, 2022
2,784,000	2,784,000		

The weighted average contractual life of the options outstanding at August 31, 2019 is 2.31 years.

The total number of options exercisable as at August 31, 2019 is 2,784,000 (August 31, 2018 - 3,776,000).

8. SHARE-BASED PAYMENTS - continued

Options Issued to Employees

Options issued to employees are measured at fair value at the grant date using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Total expenses arising from the share-based payment transactions recognized during the three months ended August 31, 2019 as part of share-based compensation expense was $Nil (August 31, 2018: $Nil).

As at August 31, 2019 there was $Nil (August 31, 2018 - $Nil) of total unrecognized compensation cost related to unvested share-based compensation.

Total expenses arising from the share-based payment transactions that were capitalized during the three months ending August 31, 2019 as part of exploration and evaluation asset acquisition costs were $Nil (August 31, 2018: $Nil).

9. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2017, the Company was committed to incur $ 471,000 in qualifying Canadian exploration expenditures prior to January 1, 2019, pursuant to two 2017 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2017.

9. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS – continued

The Company incurred actual qualifying expenditures of $13,276 in 2017 and $126,549 in 2018, leaving a shortfall of $331,175 as at December 31, 2018. Accordingly, effective December 31, 2018 the Company recorded (in other expenses and current liabilities) a $240,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Quebec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible.

The Company has made the following assumptions in estimating the subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 46.16% and are eligible for both the federal 15% and the provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 58.75% and are eligible for the federal 15% investment tax credit and the 120% CEE "super-allowance";
- Of the $331,175 shortfall, $160,303 applies to Ontario subscribers and $170,872 applies to Quebec subscribers; and
- Subscribers will be assessed two year's interest on reassessed amounts.

As at May 31, 2019, the Company has also accrued in accounts payable and accrued liabilities, the estimated Federal Part XII.6 tax and similar Quebec tax for the 2018 and prior years.

As at December 31, 2018, the Company had a $66,235 flow-through share premium liability which was transferred to the deferred tax provision effective December 31, 2018, in recognition of the Company's indemnification accrual.

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS – continued

The Company had the following transactions in the normal course of operations with related parties:

	Three months ended	
	August 31, 2019	**August 31, 2018**
Management fees (i)	$ 33,000	$ 33,000
Office rent, supplies and telephone (ii)	$ 3,000	$ 3,000

(i) During the three month period ended August 31, 2018 the Company paid or accrued $16,500 (2018 - $16,500) in management fees to the CEO of the Company; $16,500 (2018 - $16,500) to the CFO of the Company; and $Nil (2017 - $Nil) in mineral property exploration consulting costs to the VP of Exploration.

(ii) During the three month period ended August 31, 2019 the Company paid or accrued $3,000 (2018 - $3,000) for rent, supplies and administrative expenses to a private company controlled by the CFO of the Company.

As at August 31, 2019 accounts payable and accrued liabilities include $316 (2018 - $316) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

11. SUBSEQUENT EVENTS

On September 19, 2019, the Company incorporated a wholly owned subsidiary, AgAuCu Canada Inc. which subsequently issued a promissory note and received cash of $60,000.