GGL RESOURCES CORP.

**Condensed Interim Financial Statements**

**For the six months ended**

**May 31, 2019**

**Unaudited – Prepared by Management**

**(Expressed in Canadian Dollars)**

## NOTICE OF NO AUDITOR REVIEW OF

## CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

## GGL Resources Corp.

### Condensed Interim Statements of Financial Position

### Unaudited – Prepared by Management

**As at May 31, 2019 and November 30, 2018**

| | Note | **May 31, 2019 $** | November 30, 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 141,211 | 211,355 |
| Receivables and prepayments | 4 | 52,477 | 46,684 |
| Subscriptions receivable | 9 | 300,000 | - |
| Marketable securities | 5 | 80,001 | 95,001 |
| | | **573,689** | 353,040 |
| **Non-current assets** | | | |
| Mineral property interests | 6 | 2,349,337 | 2,295,488 |
| Reclamation deposits | 7 | 76,400 | 76,400 |
| Property and equipment | 8 | 24,791 | 27,819 |
| **Total assets** | | **3,024,217** | 2,752,747 |
| | | | |
| **Liabilities and shareholders' equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 11,983 | 51,056 |
| Accounts payable to related parties | 11 | 116,675 | 41,295 |
| Flow-through premium liability | 9(b),15 | 11,000 | - |
| **Total liabilities** | | **139,658** | 92,351 |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 9 | 37,785,141 | 37,474,159 |
| Contributed surplus | 9 | 226,488 | 179,613 |
| Deficit | | (35,127,070) | (34,993,376) |
| **Total shareholders' equity** | | **2,884,559** | 2,660,396 |
| **Total liabilities and shareholders' equity** | | **3,024,217** | 2,752,747 |
| | | | |
| **Nature of operations and going concern** | 1 | | |
| **Commitment** | 15 | | |

**Approved on behalf of the Board of Directors on July 30, 2019:**

*"W. Douglas Eaton"* **Director** *"David Kelsch"* **Director**

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

## GGL Resources Corp.

### Condensed Interim Statements of Changes in Shareholders' Equity

### Unaudited – Prepared by Management

### For the six months ended May 31, 2019 and May 31, 2018

| | Number of shares # | Share capital $ | Contributed surplus $ | Accumulated other comprehensive loss $ | Deficit $ | Total Shareholders' equity $ |
|---|---|---|---|---|---|---|
| December 1, 2017 | 22,096,949 | 37,474,159 | 61,474 | (69,999) | (34,407,355) | 3,058,279 |
| Reclassification on adoption of IFRS 9 | - | - | - | 69,999 | (69,999) | - |
| Share-based payments | - | - | 98,086 | - | - | 98,086 |
| Loss and comprehensive loss for the period | - | - | - | - | (250,843) | (250,843) |
| May 31, 2018 | 22,096,949 | 37,474,159 | 159,560 | - | (34,728,197) | 2,905,522 |
| December 1, 2018 | 22,096,949 | 37,474,159 | 179,613 | - | (34,993,376) | 2,660,396 |
| Private placement units issued | 4,687,500 | 339,125 | 46,875 | - | - | 386,000 |
| Flow-through premium liability | - | (11,000) | - | - | - | (11,000) |
| Share issue costs | - | (17,143) | - | - | - | (17,143) |
| Loss and comprehensive loss for the period | - | - | - | - | (133,694) | (133,694) |
| **May 31, 2019** | **26,784,449** | **37,785,141** | **226,488** | **-** | **(35,127,070)** | **2,884,559** |

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

## GGL Resources Corp.

### Condensed Interim Statements of Loss and Comprehensive Loss

### Unaudited – Prepared by Management

**For the three and six months ended May 31, 2019 and May 31, 2018**

| | | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| | Note | **May 31, 2019 $** | May 31, 2018 $ | **May 31, 2019 $** | May 31, 2018 $ |
| **Expenses** | | | | | |
| General administrative expenses | 8 | 5,227 | 7,844 | 11,737 | 10,511 |
| Insurance | | 4,022 | 3,914 | 7,989 | 8,193 |
| Investor relations and shareholder information | | 4,623 | 4,928 | 4,623 | 4,928 |
| Management, administrative and corporate development fees | 11 | 38,088 | 41,492 | 77,510 | 68,353 |
| Office rent | 11 | 4,500 | 4,500 | 9,000 | 9,000 |
| Professional fees | 11 | 7,233 | 7,434 | 23,810 | 19,398 |
| Property examination costs | 8 | 3,777 | 13,854 | 5,599 | 25,083 |
| Share-based payments | 9,11 | - | 38,191 | - | 98,086 |
| Transfer agent and filing fees | | 2,711 | - | 9,111 | 12,089 |
| Loss from operating expenses | | **(70,181)** | (122,157) | **(149,379)** | (255,641) |
| Interest income | | 405 | 1,944 | 960 | 4,798 |
| License fee | 6(d) | - | - | 30,000 | - |
| Unrealized loss on marketable securities | 5 | (40,000) | (15,000) | (15,000) | - |
| Write-off of property and equipment | 8 | (201) | - | (275) | - |
| **Loss and comprehensive loss for the period** | | **(109,977)** | (135,213) | **(133,694)** | (250,843) |
| | | | | | |
| **Loss per share** | | | | | |
| **Weighted average number of common shares outstanding** | | | | | |
| **- basic #** | 10 | **22,249,802** | 22,096,949 | **22,174,215** | 22,096,949 |
| **- diluted #** | 10 | **22,249,802** | 22,096,949 | **22,174,215** | 22,096,949 |
| | | | | | |
| **Basic loss per share $** | 10 | **(0.00)** | (0.01) | **(0.01)** | (0.01) |
| **Diluted loss per share $** | 10 | **(0.00)** | (0.01) | **(0.01)** | (0.01) |

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

## GGL Resources Corp.

### Condensed Interim Statements of Cash Flows

### Unaudited – Prepared by Management

**For the six months ended May 31, 2019 and May 31, 2018**

| | Note | **2019** $ | 2018 $ |
|---|---|---|---|
| **Operating activities** | | | |
| Loss and comprehensive loss for the period | | (133,694) | (250,843) |
| Adjustments for: | | | |
| Share-based payments | | - | 98,086 |
| Depreciation - general and administrative | | 20 | 45 |
| Depreciation - property examination costs | | 2,733 | 3,432 |
| Unrealized loss on marketable securities | | 15,000 | - |
| Write-off of property and equipment | | 275 | - |
| Net change in non-cash working capital items | 13 | 39,810 | (33,433) |
| | | **(75,856)** | (182,713) |
| **Financing activities** | | | |
| Issue of units for cash | | 86,000 | - |
| Share issue costs | | (2,390) | - |
| | | **83,610** | - |
| **Investing activities** | | | |
| Expenditures on exploration and evaluation assets | | **(77,898)** | (382,725) |
| **Decrease in cash and cash equivalents** | | **(70,144)** | (565,438) |
| **Cash and cash equivalents, beginning of period** | | **211,355** | 1,140,174 |
| **Cash and cash equivalents, end of period** | | **141,211** | 574,736 |

**Supplemental cash flow information** 13

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

## 1. Nature of operations and going concern

GGL Resources Corp. (the "Company") was incorporated in British Columbia on May 25, 1981 under the provisions of the British Columbia Company Act and has extra territorial registration in the Northwest Territories and Nunavut. The Company is listed on the TSX Venture Exchange (the "Exchange") under the symbol "GGL". The Company's address is 1016 - 510 West Hastings Street, Vancouver, BC, V6B 1L8. The Company's records office and registered address is 1710 - 1177 West Hastings Street, Vancouver, BC, V6E 2L3, Canada.

The Company's principal business activity is the acquisition, exploration and evaluation of mineral properties. The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition or option of the mineral property interests. The carrying amounts of mineral property interests are based on costs incurred to date, less impairments, and do not necessarily represent present or future values.

These condensed interim financial statements (the "financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have traditional sources of revenue, and historically has relied on property option or sale proceeds, loans and share capital financing to cover its operating expenses.

As at May 31, 2019, the Company had working capital of $434,031 (November 30, 2018 - $260,689) and shareholders' equity of $2,884,559 (November 30, 2018 - $2,660,396). The Company will continue to seek the funding necessary to enable the Company to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional debt and/or equity capital. If the Company is unable to raise additional funds in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or cease operations. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. Significant accounting policies

### (a) Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended November 30, 2018, and do not include all the information required for full annual financial statements in accordance 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"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars which is the functional currency of the Company.

Certain prior period figures within the statements of loss and comprehensive loss were reclassified to conform to the current period's presentation.

**2. Significant accounting policies** (continued)

**(b) Significant accounting policies**

Except as set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended November 30, 2019. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

Notably, new accounting standard IFRS 9 - Financial Instruments became effective for the Company on December 1, 2018. However, the Company early adopted and initially applied IFRS 9 retrospectively without restatement of comparative amounts, effective December 1, 2017. As a result, the Company changed its accounting policy for financial assets retrospectively on assets that were recognized at the date of application. The impact to the Company's financial statements was to reclassify its available-for-sale marketable securities to FVTPL, which resulted in a reclassification of $69,999 from accumulated other comprehensive loss to deficit on December 1, 2017. Future changes in the fair value of marketable securities are recorded directly in profit or loss.

**(c) Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2019. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

*Effective for annual periods beginning on or after January 1, 2019:*

- New standard IFRS 16 - *Leases*

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company does not have any leases and has initially assessed that there will be no material reporting changes as a result of adopting the new standard.

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*

  On June 7, 2017, the IASB issued IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

  The Company does not expect any material reporting changes on adoption of the Interpretation.

### 3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

| | **May 31, 2019** | November 30, 2018 |
|---|---|---|
| | **$** | $ |
| Cash (Note 15) | 71,211 | 41,355 |
| Guranteed investment certificate | 70,000 | 170,000 |
| | **141,211** | 211,355 |

### 4. Receivables and prepayments

Receivables and prepayments consist of the following:

| | **May 31, 2019** | November 30, 2018 |
|---|---|---|
| | **$** | $ |
| Sales tax recoverable | 6,907 | 7,906 |
| Other receivables | 37,685 | 24,654 |
| Prepaid expenses | 7,885 | 14,124 |
| | **52,477** | 46,684 |

As at May 31, 2019, other receivables include accrued British Columbia Mining Exploration Tax Credits of $36,888 (November 30, 2018 - $24,120) relating to the McConnell Creek project (Note 6(a)(vii)).

### 5. Marketable securities

Marketable securities consist of common shares received on the option of mineral property interests.

As at May 31, 2019, the Company held 1,000,000 common shares of Silver Range Resources Ltd. (“Silver Range”) (November 30, 2018 – 1,000,000 common shares), which were received pursuant to an option agreement. As at May 31, 2019, the Company also held common shares in a private company carried at a fair value of $1 (November 30, 2018 - $1).

During the six months ended May 31, 2019, the Company recorded an unrealized loss on the Silver Range common shares in the amount of $15,000 (2018 - $nil).

As at May 31, 2019, the fair value of the Company’s marketable securities was $80,001 (November 30, 2018 - $95,001).

The valuation of the shares with an active market has been determined in whole by reference to the bid price of the shares on the Exchange at each period end date.

Subsequent to May 31, 2019, the Company sold the 1,000,000 Silver Range common shares to a company controlled by the Company’s CEO for proceeds of $110,000.

## 6. Mineral property interests

The Company's mineral property interests consist of exploration stage properties located in Canada (Northwest Territories, Nunavut, and British Columbia).

Changes in the project carrying amounts for the six months ended May 31, 2019 is summarized as follows:

| | December 1, 2018 $ | Exploration and evaluation, net $ | May 31, 2019 $ |
|---|---|---|---|
| Fishback Lake | 53,679 | 1,709 | 55,388 |
| CH | 633,905 | 13,234 | 647,139 |
| Bishop | 218,073 | 231 | 218,304 |
| Rhombus | 160,189 | - | 160,189 |
| Zeus | 47,046 | - | 47,046 |
| Providence Greenstone Belt | 439,681 | 7,792 | 447,473 |
| Stein | 6,460 | 851 | 7,311 |
| McConnell Creek | 736,455 | 30,032 | 766,487 |
| **Total** | **2,295,488** | **53,849** | **2,349,337** |

| | December 1, 2018 $ | Net additions $ | May 31, 2019 $ |
|---|---|---|---|
| Acquisitions / staking | 317,772 | - | 317,772 |
| Exploration and evaluation | 1,977,716 | 53,849 | 2,031,565 |
| **Total** | **2,295,488** | **53,849** | **2,349,337** |

**6. Mineral property interests** (continued)

Changes in the project carrying amounts for the six months ended May 31, 2018 are summarized as follows:

| | December 1, 2017 $ | Acquisitions / staking $ | Exploration and evaluation (recovery), net $ | May 31, 2018 $ |
|---|---|---|---|---|
| Fishback Lake | 51,970 | - | 1,709 | 53,679 |
| CH | 559,900 | - | 17,192 | 577,092 |
| Bishop | 14,151 | 71,138 | 113,542 | 198,831 |
| Rhombus | - | 51,100 | 98,226 | 149,326 |
| Zeus | - | 35,398 | 11,646 | 47,044 |
| Providence Greenstone Belt | 440,839 | - | (5,270) | 435,569 |
| McConnell Creek | 675,001 | 5,048 | 6,413 | 686,462 |
| **Total** | **1,741,861** | **162,684** | **243,458** | **2,148,003** |

| | December 1, 2017 $ | Net additions $ | May 31, 2018 $ |
|---|---|---|---|
| Acquisitions / staking | 155,088 | 162,684 | 317,772 |
| Exploration and evaluation | 1,586,773 | 243,458 | 1,830,231 |
| **Total** | **1,741,861** | **406,142** | **2,148,003** |

Exploration and evaluation expenditures on the projects for the six months ended May 31, 2019 and May 31, 2018 consisted of the following:

| | **May 31, 2019 $** | May 31, 2018 $ |
|---|---|---|
| Assays | 10,428 | - |
| Field | 22,625 | 8,084 |
| Labour | 33,275 | 61,012 |
| Survey and consulting | - | 174,784 |
| Travel and accommodation | 289 | - |
| | 66,617 | 243,880 |
| Less: British Columbia Mining Exploration Tax Credit (note 6(a)(vii)) | (12,768) | (422) |
| **Total** | **53,849** | 243,458 |

**6. Mineral property interests** (continued)

**(a) Wholly-owned projects**

(i) Fishback Lake, Northwest Territories, Canada

The Company owns one claim. This claim is a mining lease.

(ii) CH, Northwest Territories, Canada

The Company owns various claims north-northeast of Yellowknife, acquired by staking. These claims include the Starfish, Winterlake North, Winterlake South, BP, Zip and Mill claims, all of which are leases.

(iii) Providence Greenstone Belt ("PGB"), Northwest Territories, Canada

The Company owns 5 claims and 11 leases in the PGB area of the Northwest Territories.

As a result of surveying work completed during the year ended November 30, 2017, 11 leases were issued by the Mining Recorder and received by the Company during the year ended November 30, 2018.

(iv) Bishop, Northwest Territories, Canada

During the year ended November 30, 2018, the Company staked 37 claims in the Northwest Territories. Total holdings in this group are the 37 claims and the Courageous lease.

(v) Rhombus, Northwest Territories, Canada

The Company owns 25 claims acquired by staking during the year ended November 30, 2018.

(vi) Zeus, Northwest Territories, Canada

The Company owns 22 claims acquired by staking during the year ended November 30, 2018.

(vii) McConnell Creek, British Columbia, Canada

The Company owns 4 mineral claims in the Omineca Mining Division of British Columbia.

During the six months ended May 31, 2019, the Company accrued British Columbia Mining Exploration Tax Credit ("BCMETC") recoveries of $12,768 (2018 - $422).

**6. Mineral property interests** (continued)

**(b) Projects under option**

Stein, Nunavut, Canada

During the year ended November 30, 2018, the Company entered into an option agreement with Arctic Star Exploration Corp. ("Arctic Star") to earn a 60% interest in Arctic Star's wholly-owned Stein Diamond Project in Nunavut, Canada. The Stein Diamond Project consists of 4 contiguous prospecting permits on the Southern Boothia Peninsula.

The Company can acquire a 60% undivided interest in the Stein Diamond Project by conducting detailed ground geophysics on high priority airborne targets, discovering kimberlite by drilling, trenching or discovery in outcrop, and by converting prospecting permits to mineral claims by February 1, 2020. Should kimberlite be discovered, a joint venture would be formed with an initial 60/40 contributing relationship. The project has a Class A land use permit that includes drilling.

**(c) Other interests**

Net Returns Royalty ("NR") – Doyle leases

During the year ended November 30, 2013, the Company sold 9 of its mineral leases and 2 reinstated leases, including Bob Camp, to Kennady Diamonds Inc. ("Kennady"), for $150,000 cash and a retained 1.5% NR on all of the leases, except for one where the Company retains a 0.5% NR. Kennady has the right, at any time prior to commencement of production from the property, to purchase one-third of the NR, for the sum of $2,000,000.

During the year ended November 30, 2016, the Company sold its interest in the remaining 6 Doyle leases to Kennady for $200,000. The Company retains a 0.75% NR on all mineral production from the property. Kennady has the right at any time prior to commencement of production to purchase one-third of the NR, being 0.25%, for the sum of $1,000,000.

**(d) License rights**

During the six months ended May 31, 2019, the Company entered into a License Agreement dated December 19, 2018, with an arm's length party (the "Licensee") whereby the Company granted the Licensee the perpetual right and license to access specified data on areas located in the Northwest Territories for cash proceeds of $30,000, which was recorded as a license fee.

**7. Reclamation deposits**

The reclamation deposits are pledged to the Ministry of Energy, Mines and Petroleum Resources of British Columbia and the Government of the Northwest Territories. They are invested in guaranteed investment certificates with one-year terms that automatically renew. As at May 31, 2019, accrued interest on these deposits totaled $344 (November 30, 2018 - $506) and has been included in other receivables (Note 4). Management has determined that the Company has no material reclamation work related to the properties requiring the deposits.

## 8. Property and equipment

| | Office furniture $ | Exploration equipment $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| December 1, 2017, and November 30, 2018 | 17,879 | 392,388 | 410,267 |
| **Accumulated depreciation** | | | |
| December 1, 2017 | 17,286 | 358,207 | 375,493 |
| Depreciation | 90 | 6,865 | 6,955 |
| November 30, 2018 | 17,376 | 365,072 | 382,448 |
| **Cost** | | | |
| December 1, 2018 | 17,879 | 392,388 | 410,267 |
| Less: equipment written-off | (4,573) | (1,575) | (6,148) |
| **May 31, 2019** | **13,306** | **390,813** | **404,119** |
| **Accumulated depreciation** | | | |
| December 1, 2018 | 17,376 | 365,072 | 382,448 |
| Depreciation | 20 | 2,733 | 2,753 |
| Less: equipment written-off | (4,363) | (1,510) | (5,873) |
| **May 31, 2019** | **13,033** | **366,295** | **379,328** |
| **Net book value** | | | |
| November 30, 2018 | 503 | 27,316 | 27,819 |
| **May 31, 2019** | **273** | **24,518** | **24,791** |

Depreciation is recorded on the statements of loss and comprehensive loss for the six months ended May 31, 2019 as $20 (2018 - $45) within general and administrative expenses, and $2,733 (2018 - $3,432) within property examination costs.

**9. Share capital**

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All issued shares are fully paid.

**Transactions for the issue of share capital during the six months ended May 31, 2019:**

**(a)** On May 28, 2019, the Company completed a private placement consisting of the issue of 4,137,500 non-flow-through units at a price of $0.08 each for gross proceeds of $331,000. Each non-flow-through unit consists of one common share and one share purchase warrant, with each warrant being exercisable into a common share at an exercise price of $0.15 until May 28, 2022.

The units were issued at a price that exceeded the trading value of the Company's common shares which is a reflection of the residual value of the warrants attached to the private placement units. The residual value of the warrants was determined to be $41,375 and has been recorded as a reduction of share capital and an increase in contributed surplus.

**(b)** On May 28, 2019, the Company completed a flow-through private placement consisting of the issue of 550,000 flow-through units at a price of $0.10 each for gross proceeds of $55,000. Each unit consists of one flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of $0.15 until May 28, 2022.

The flow-through units were issued at a premium to the trading value of the Company's common shares which is a reflection of the value of the income tax write-offs that the Company will renounce to the flow-through shareholders. The premium was determined to be $11,000 and has been recorded as a reduction of share capital. An equivalent flow-through premium liability has been recorded, which will be reversed pro-rata as the required exploration expenditures are incurred. A further residual value was allocated to the warrant component of the flow-through units, in the amount of $5,500 and has been recorded as a reduction of share capital and an increase in contributed surplus.

Share issue costs of $17,143 were incurred in respect of the private placements which included legal and filing fees recorded as a reduction to share capital. As at May 31, 2019, $300,000 of the gross proceeds in connection with the private placements was included in subscriptions receivable and were subsequently received.

**Transactions for the issue of share capital during the six months ended May 31, 2018:**

There were no transactions for the issue of share capital during the six months ended May 31, 2018.

**Warrants**

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

A summary of the status of the Company's warrants as at May 31, 2019 and November 30, 2018, and changes during the period/year then ended is as follows:

| | **Six months ended May 31, 2019** | | Year ended November 30, 2018 | |
|---|---|---|---|---|
| | Warrants # | Weighted average exercise price $ | Warrants # | Weighted average exercise price $ |
| Warrants outstanding, beginning of period/year | - | - | 527,000 | 1.54 |
| Issued | 4,687,500 | 0.15 | - | - |
| Expired | - | - | (527,000) | 1.54 |
| **Warrants outstanding, end of period/year** | **4,687,500** | **0.15** | - | - |

**9. Share capital** (continued)

**Warrants** (continued)

As at May 31, 2019, the Company has warrants outstanding and exercisable as follows:

| Warrants outstanding # | Warrants exercisable # | Weighted average exercise price $ | Weighted average remaining life (years) | Expiry date |
|---|---|---|---|---|
| 4,687,500 | 4,687,500 | 0.15 | 2.99 | May 28, 2022 |

**Stock options**

The Company has a Stock Option Plan (the "Plan") whereby the Company may grant stock options to purchase up to 10% of the issued capital of the Company at the time of the grant of any option. Under the policies of the Exchange, options granted under the 10% rolling plan will not be required to include the mandatory vesting provisions required by the Exchange for a fixed number stock option plan, except for stock options granted to investor relations consultants which vest over 12 months. Awarded stock options are exercisable over a period not exceeding five years at exercise prices determined by the Board of Directors based on the most recent trading prices and subject to the Exchange policies.

A participant who is not a consultant conducting investor relations activities, who is granted an option under the plan with exercise prices at or above "Market Price" will have their options vest immediately, unless otherwise determined by the Board of Directors. A participant who is a consultant conducting investor relations activities who is granted options under the plan will have their options become vested with the right to exercise one-quarter of the options upon conclusion of every three months subsequent to the grant date.

A summary of the status of the Company's stock options as at May 31, 2019 and November 30, 2018, and changes during the period/year then ended is as follows:

| | **Six months ended May 31, 2019** | | Year ended November 30, 2018 | |
|---|---|---|---|---|
| | Options # | Weighted average exercise price $ | Options # | Weighted average exercise price $ |
| Options outstanding, beginning of period/year | 1,725,000 | 0.18 | 1,725,000 | 0.18 |
| **Options outstanding, end of period/year** | **1,725,000** | **0.18** | 1,725,000 | 0.18 |

As at May 31, 2019, the Company has stock options outstanding and exercisable as follows:

| Options outstanding # | Options exercisable # | Weighted average exercise price $ | Weighted average remaining life (years) | Expiry date |
|---|---|---|---|---|
| 450,000 | 450,000 | 0.25 | 1.50 | November 30, 2020 |
| 1,275,000 | 1,275,000 | 0.15 | 3.44 | November 6, 2022 |
| **1,725,000** | **1,725,000** | **0.18** | **2.93** | |

No stock options were granted during the six months ended May 31, 2019 or May 31, 2018.

Share-based payment expense is recognized based on the stock options that vested during the period. For the six months ended May 31, 2019, share-based payment expense was $nil (2018 – $98,086).

**Contributed surplus**

Contributed surplus is comprised of the accumulated fair value of stock options recognized as share-based payments, the residual value of share purchase warrants attached to unit private placements and share purchase warrants recognized within share issue costs. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when stock options or share purchase warrants expire, are exercised, or cancelled.

**10. Loss per share**

The calculation of basic and diluted loss per share for the six months ended May 31, 2019, is based on the loss attributable to common shareholders of $133,694 (2018 - $250,843) and a weighted average number of common shares outstanding of 22,174,215 (2018 – 22,096,949).

All stock options and warrants were excluded from the diluted weighted average number of shares calculation for the periods presented, as their effect would have been anti-dilutive.

**11. Related party payables and transactions**

The Company's related parties include key management personnel and Directors, and companies in which they have control or significant influence over the financial or operating policies of those entities.

There were no stock options granted to key management personnel and Directors during the six months ended May 31, 2019 or May 31, 2018.

During the six months ended May 31, 2019, $nil (2018 - $73,083) was recognized within share-based payment expense on stock options granted to key management personnel and Directors which vested during the period then ended.

As at May 31, 2019, Strategic Metals Ltd. ("Strategic") had a 43.17% interest in the Company (November 30, 2018 – 45.26%). The Company and Strategic have certain common officers, and the large share position of Strategic in the Company gives it control of the Company. During the six months ended May 31, 2019, Strategic subscribed to 1,562,500 non-flow-through units of the Company pursuant to the private placement completed during the period then ended (Note 9(a)) for gross proceeds of $125,000. In addition, key management personnel and Directors and other related parties subscribed to 2,262,500 non-flow-through units and 450,000 flow-through units of the private placement, for gross proceeds of $226,000.

The Company transacted with the following related parties:

**(a)** David Kelsch is a Director of the Company, as well as the President and Chief Operating Officer. He provides consulting services to the Company, as well as technical and professional services.

**(b)** Douglas Eaton is a Director and the Company's CEO. He is a shareholder of and has significant influence over Archer, Cathro & Associates (1981) Limited ("Archer Cathro"), which is a geological consulting firm. Archer Cathro provides the Company with office space and administrative support. He is also a Director, President and CEO of Strategic.

**(c)** Glenn Yeadon is a Director and Corporate Secretary of Strategic. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp."), which provides the Company with legal services.

**(d)** Larry Donaldson is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA") (formerly Donaldson Grassi Chartered Professional Accountants until January 31, 2019), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services. He is also CFO of Strategic.

**(e)** Drechsler Consulting Ltd. is controlled by Richard Drechsler, who is Vice-President of Communications for Strategic. Drechsler Consulting Ltd. provides consulting services to the Company.

**(f)** Linda Knight is the Corporate Secretary of the Company.

**11. Related party payables and transactions** (continued)

The aggregate value of transactions and outstanding balances with related parties are as follows:

| | | **Transactions Six months ended May 31, 2019** | Transactions Six months ended May 31, 2018 | **Balances outstanding May 31, 2019** | Balances outstanding November 30, 2018 |
|---|---|---|---|---|---|
| | | **$** | $ | **$** | $ |
| | David Kelsch | | | | |
| | - geological services | 13,500 | 62,263 | 14,175 | 9,460 |
| | - consulting fees | 39,738 | 24,013 | 44,288 | 7,136 |
| | | 53,238 | 86,276 | 58,463 | 16,596 |
| | Archer Cathro | 9,436 | 11,224 | 1,634 | 3,899 |
| (1) | Yeadon Law Corp | 20,330 | 2,675 | 21,593 | 5,132 |
| | DBM CPA | 16,000 | 13,500 | 28,475 | 11,500 |
| | Drechsler Consulting Ltd. | 5,760 | 6,480 | 812 | 662 |
| | Linda Knight | 32,012 | 37,050 | 5,698 | 3,506 |
| | | **136,776** | 157,205 | **116,675** | 41,295 |

(1) Transactions for the six months ended May 31, 2019 include $14,753 in share issue costs.

All related party balances are unsecured and are due within thirty days without interest.

The transactions with the key management personnel and Directors are included in operating expenses as follows:

**(a)** Management, administrative and corporate development fees
- Includes the consulting fees charged to the Company by David Kelsch Consulting Ltd. and a related business.
- Includes the consulting fees charged to the Company by Drechsler Consulting Ltd.
- Includes the accounting and administrative services charged to the Company by Linda Knight.

**(b)** Office rent
- Includes office rent charged to the Company by Archer Cathro.

**(c)** Professional fees
- Includes legal services charged to the Company by Yeadon Law Corp.
- Includes the accounting services charged to the Company by DBM CPA.

**12. Income taxes**

Income tax recovery for the six months ended May 31, 2019 and May 31, 2018 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

| | **May 31, 2019 $** | May 31, 2018 $ |
|---|---|---|
| Loss for the period before income taxes | (133,694) | (250,843) |
| Statutory Canadian corporate tax rate | 27.00% | 27.00% |
| Anticipated income tax recovery | 36,000 | 68,000 |
| Change in tax resulting from: | | |
| Unrecognized items for tax purposes | (2,000) | (26,483) |
| Share issue costs | 5,000 | - |
| Tax benefits on losses not recognized | (39,000) | (41,517) |
| **Income tax recovery** | - | - |

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

| | **May 31, 2019 $** | November 30, 2018 $ |
|---|---|---|
| Mineral property interests | 3,971,000 | 3,973,000 |
| Marketable securities | 20,000 | 18,000 |
| Property and equipment | 139,000 | 138,000 |
| Non-capital loss carry forwards | 1,335,000 | 1,301,000 |
| Capital losses | 1,000 | 1,000 |
| Share issue costs | 5,000 | 2,000 |
| Unrecognized deferred tax assets | (5,471,000) | (5,433,000) |
| **Net deferred tax assets** | **-** | - |

As at May 31, 2019, the Company has non-capital loss carry forwards of approximately $4,944,000 (November 30, 2018 - $4,817,000) which expire between 2026 and 2039.

As at May 31, 2019 the Company has unused capital losses of approximately $8,000 (November 30, 2018 - $8,000), which have no expiry date and can only be used to reduce future income from capital gains.

As at May 31, 2019, the Company has unclaimed resource and other deductions in the amount of approximately $17,057,000 (November 30, 2018 - $17,004,000), which may be deducted against future taxable income.

As at May 31, 2019, the Company has share issue costs totaling approximately $20,000 (November 30, 2018 - $6,000), which have not been claimed for income tax purposes.

As at May 31, 2019, the Company has unused temporary differences in respect of property and equipment totaling approximately $516,000 (November 30, 2018 - $513,000), which have no expiry.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

## 13. Supplemental cash flow information

Changes in non-cash operating working capital during the six months ended May 31, 2019 and May 31, 2018, were comprised of the following:

| | **May 31, 2019 $** | May 31, 2018 $ |
|---|---|---|
| Receivables and prepayments | 6,975 | 57,560 |
| Accounts payable and accrued liabilities | (23,986) | (40,993) |
| Accounts payable to related parties | 56,821 | (50,000) |
| **Net Change** | **39,810** | (33,433) |

The Company incurred non-cash financing and investing activities during the six months ended May 31, 2019 and May 31, 2018, as follows:

| | **May 31, 2019 $** | May 31, 2018 $ |
|---|---|---|
| Non-cash financing activities: | | |
| Proceeds from issue of units included in subscriptions receivable | (300,000) | - |
| Share capital reduced by flow-through share premium | 11,000 | - |
| Share issue costs included in related party payables | 14,753 | - |
| | **(274,247)** | - |
| | | |
| Non-cash investing activities: | | |
| Deferred exploration expenditures included in BCMETC | (36,888) | - |
| Deferred exploration expenditures included in accounts payable and related party payables | 13,266 | 101,414 |
| | **(23,622)** | 101,414 |

During the six months ended May 31, 2019 and May 31, 2018 no amounts were paid for interest or income tax expenses.

## 14. Financial risk management

### Capital management

The Company is a resource exploration company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at May 31, 2019, is comprised of shareholders' equity of $2,884,559 (November 30, 2018 - $2,660,396).

The Company currently has no source of revenues. In order to fund future projects and pay for general and administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral property interests and its ability to borrow or raise additional financing from equity markets (see Note 1).

There were no changes to the Company's capital management approach during the six months ended May 31, 2019.

**14. Financial risk management** (continued)

**Financial instruments - fair value**

The Company's financial instruments consist of cash and cash equivalents, other receivables, subscriptions receivable, marketable securities, reclamation deposits, accounts payable and accrued liabilities, and accounts payable to related parties. The carrying value of other receivables, subscriptions receivable, accounts payable and accrued liabilities, and accounts payable to related parties, approximate their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statements of financial position are summarized into the following fair value hierarchy levels:

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

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **May 31, 2019** | | | | |
| Cash and cash equivalents | 141,211 | - | - | 141,211 |
| Marketable securities | 80,000 | - | 1 | 80,001 |
| Reclamation deposits | 76,400 | - | - | 76,400 |
| | **297,611** | **-** | **1** | **297,612** |
| November 30, 2018 | | | | |
| Cash and cash equivalents | 211,355 | - | - | 211,355 |
| Marketable securities | 95,000 | - | 1 | 95,001 |
| Reclamation deposits | 76,400 | - | - | 76,400 |
| | 382,755 | - | 1 | 382,756 |

**Financial instruments - risk**

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and market and currency risk.

**(a) Credit risk**

The Company is exposed to credit risk by holding cash and cash equivalents. All of the Company's cash and cash equivalents are held in a Canadian financial institution, and management believes the exposure to credit risk with respect to such an institution is not significant. The Company has minimal receivable exposure as its refundable tax credits and other receivables are due from Canadian Governments. The Company has no exposure on its subscriptions receivable as the amounts were collected in full subsequent to May 31, 2019.

**(b) Interest rate risk**

The Company is not exposed to interest rate risk as it does not hold financial securities or debt that would be impacted by fluctuating interest rates other than its cash and cash equivalents which are subject to variable rates. Fluctuations in market rates would have an insignificant impact on the Company's operations.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due (see Note 1). The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

**14. Financial risk management** (continued)

**(d) Market risk**

The Company is exposed to market risk because of fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the May 31, 2019 value of marketable securities, every 10% fluctuation in the share prices of these companies would impact profit or loss for the period, up or down, by approximately $8,000, (2018 - $15,000) before income taxes. Subsequent to May 31, 2019, the Company sold its Silver Range common shares included in marketable securities (Note 5) for total proceeds of $110,000.

**(e) Currency risk**

The Company conducts minimal transactions in foreign currencies and currency risk is not considered significant.

**15. Commitment**

On May 28, 2019, the Company completed a private placement of flow-through units for gross proceeds of $55,000 (Note 9 (b)). The Company is required to spend the funds on qualified exploration programs no later than December 31, 2020 and renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2019. As of May 31, 2019, none of the funds had been spent.