KESSELRUN

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KESSELRUN RESOURCES LTD.
ANNUAL FINANCIAL STATEMENTS
(expressed in Canadian Dollars)
FOR THE YEARS ENDED
JULY 31, 2019 & 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kesselrun Resources Ltd.

Opinion

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

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 28, 2019

KESSELRUN RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note		July 31, 2019		July 31, 2018
ASSETS					
Current					
Cash		$	197,131	$	49,025
Sales tax receivable			8,946		29,662
Prepaid expenses			8,156		10,500
Marketable securities	7		873,450		1,739,130
			1,087,683		1,828,317
Exploration and evaluation assets	6		2,484,678		2,474,966
Total assets		$	3,572,361	$	4,303,283
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable		$	91	$	470
Accrued liabilities			11,452		14,468
Due to related parties	9		404,245		317,256
Note payable	9		91,738		84,708
			507,526		416,902
Shareholders' equity					
Share capital	8		5,998,427		5,998,427
Share-based payment reserve	8		559,846		560,634
Deficit			(3,493,438)		(2,672,680)
Total shareholders' equity			3,064,835		3,886,381
Total liabilities and shareholders' equity		$	3,572,361	$	4,303,283

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors:

/s/ Joao (John) da Costa __
Director

/s/ Michael John Thompson
Director

The accompanying notes are an integral part of these financial statements

KESSELRUN RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year ended July 31, 2019		Year ended July 31, 2018	
Expenses:					
Accounting and audit	9	$	33,634	$	43,570
Administration	9		24,000		24,000
Advertising and promotion			3,888		68,555
Consulting	9		86,500		91,500
Filing fees			13,450		18,576
Legal fees			-		901
Management fees	9		60,000		40,000
Meals and entertainment			1,736		2,179
Office expenses			5,505		5,210
Share-based compensation	8		(788)		121,724
Travel			1,965		7,140
Total expenses			(229,890)		(423,355)
Other items					
Interest on notes payable	9		(7,030)		(18,557)
Gain (loss) on marketable securities	7		27,437		(39,768)
Unrealized loss on marketable securities	7		(611,275)		(718,650)
Loss and comprehensive loss		$	(820,758)	$	(1,200,330)
Loss per share, basic and diluted		$	(0.02)	$	(0.03)
Weighted average number of common shares outstanding - basic and diluted:			37,763,483		37,208,938

The accompanying notes are an integral part of these financial statements

KESSELRUN RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Note	Number of Shares		Share Capital		Share-based Payment Reserve		Deficit		Total
Balance, July 31, 2017		36,963,483	$	5,918,427	$	438,910	$	(1,472,350)	$	4,884,987
Exercise of warrants		800,000		80,000		-		-		80,000
Share-based compensation		-		-		121,724		-		121,724
Net and comprehensive loss		-		-		-		(1,200,330)		(1,200,330)
Balance, July 31, 2018		37,763,483		5,998,427		560,634		(2,672,680)		3,886,381
Share-based compensation	8	-		-		(788)		-		(788)
Net and comprehensive loss		-		-		-		(820,758)		(820,758)
Balance, July 31, 2019		37,763,483	$	5,998,427	$	559,846	$	(3,493,438)	$	3,064,835

The accompanying notes are an integral part of these financial statements

KESSELRUN RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended July 31, 2019	Year Ended July 31, 2018
Cash flows used in operating activities		
Loss for the year	$ (820,758)	$ (1,200,330)
Items not affecting cash used in operations		
Accrued interest	7,030	18,557
Share-based compensation	(788)	121,724
Unrealized loss on marketable securities	611,275	718,650
Loss (gain) on marketable securities	(27,437)	39,768
Changes in non-cash working capital items		
Sales tax receivable	20,716	(9,690)
Prepaid expenses	2,344	61,075
Accounts payable	(379)	(2,833)
Accrued liabilities	(3,016)	3,336
Net cash used in operating activities	(211,013)	(249,743)
Cash flows provided by (used in) investing activities		
Exploration and evaluation assets	-	(386,550)
Disposition of marketable securities	281,842	369,452
Net cash provided by (used in) investing activities	281,842	(17,098)
Cash flows provided by financing activities		
Notes payable	-	(225,000)
Due to related parties	77,277	219,892
Exercise of warrants	-	80,000
Net cash provided by financing activities	77,277	74,892
Changes in cash	148,106	(191,949)
Cash, beginning	49,025	240,974
Cash, ending	$ 197,131	$ 49,025

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Kesselrun Resources Ltd. (the "Company"), was incorporated under the *Business Corporations Act* (British Columbia) on May 18, 2011. The Company is engaged in the acquisition, exploration, and development of mineral properties. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and on OTC Pink.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2019, the Company has not advanced its mineral properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. As at July 31, 2019, the Company held 3,235,000 common shares of First Mining Finance Corp. ("First Mining") valued at $873,450 (Note 7). The shares are free-trading and do not hold any significant restrictions; as such the Company has enough liquid assets to continue its exploration activities and day-to-day operations for the next 12-month period.

The Company's head office and principal address is located at Suite 102, 278 Bay Street, Thunder Bay, ON P7B 1R8.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 28, 2019, by the directors of the Company.

a) Statement of Compliance and Basis of Presentation

These financial statements have been prepared in accordance with 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").

b) Basis of Measurement and Use of Estimates

These financial statements have been prepared on an accrual basis and are based on historical costs, except certain financial instruments, which are recorded at fair value. All amounts are expressed in Canadian dollars, the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates. The areas involving significant assumptions and estimates are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash comprises deposits in banks that are readily convertible into a known amount of cash, or with an initial maturity of less than 90 days.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

Financial assets

i) Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii) Measurement
Financial assets at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit and loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

iii) Impairment of financial assets at amortized cost
IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(iv) Derecognition
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statements of financial position subsequent to inception and how changes in value are recorded.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Exploration and evaluation assets

Exploration and evaluation assets comprise of the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying options. Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. Costs incurred once the Company has obtained the legal rights to explore an area are capitalized.

Government tax credits received are recorded as a reduction to the exploration and evaluation expenditures of the related property.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as exploration expenditure or recoveries when the payments are made or received.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditures on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets (continued)

- exploration for and evaluation of mineral resources in the 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; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Although the Company has taken steps that it considers adequate to verify title to exploration and evaluation assets which it has an interest in, these procedures do not guarantee the Company's title.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of the assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

As at July 31, 2019 and 2018, the Company had not recognized any provisions for restoration and environmental obligations.

Income taxes

Income tax is recognized in net loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of the instruments are determined using the Black–Scholes Option pricing model. The number of the instruments expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the instruments granted shall be based on the number of the instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. The Company's diluted loss per share does not include the effect of stock options as they are anti-dilutive.

Recent accounting pronouncements

IFRS 16 - Leases
In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Company does not expect any significant impact of IFRS 16 on the statement of financial position.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- classification/allocation of expenses as exploration and evaluation expenditures or operating expenses;
- classification and measurement of the Company's financial assets and liabilities;
- determination that the Company is able to continue as a going concern; and
- determination whether there have been any events or changes in circumstances that indicate the impairment of its exploration and evaluations assets.

Key sources of estimation uncertainty include the following:

- the carrying value and recoverability of exploration and evaluation assets;
- recoverability and measurement of deferred tax assets;
- provisions for restoration and environmental obligations and contingent liabilities; and
- measurement of share-based transactions.

5. FINANCIAL INSTRUMENTS AND RISKS

Financial instrument measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels at the fair value hierarchy are:

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

Categories of financial instruments

As at July 31		**2019**		**2018**
Financial assets:				
FVTPL				
Cash	$	197,131	$	49,025
Marketable securities	$	873,450	$	1,739,130
Financial liabilities:				
Amortized costs				
Accounts payable	$	91	$	470
Due to related parties	$	404,245	$	317,256
Note payable	$	91,738	$	84,708

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Assets and liabilities measured at fair value on a recurring basis:

As at July 31, 2019	Level 1	Level 2	Level 3	Total
Cash	$ 197,131	$ -	$ -	$ 197,131
Marketable securities	873,450	-	-	873,450
	$ 1,070,581	$ -	$ -	$ 1,070,581

Accounts payable, due to related parties, and note payable approximate their fair value due to the short term nature of these instruments.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:
Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, which is held with a high-credit quality financial institution. As such, the Company's credit risk exposure is minimal.

Market risk:
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. *Interest rate risk:*
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal interest rate risk as it has no interest accumulating financial assets that may become susceptible to interest rate fluctuations.

ii. *Currency risk:*
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has minimal financial risk arising from fluctuations in foreign exchange rates as the Company does not own foreign currency denominated financial assets or liabilities.

iii. *Equity price risk:*
Equity price risk is the risk that the fair value of equity/securities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risk as a result of its investments in marketable securities.

Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As of July 31, 2019, the Company had current assets of $1,087,683 to settle current liabilities of $507,526, which had contractual maturities of less than 30 days and were subject to normal trade terms.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

As of July 31, 2019 and 2018, the Company's interest in exploration and evaluation assets consist of the Bluffpoint Property and the Huronian Property. The costs incurred on the Company's exploration and evaluation properties are summarized as follows:

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2018	$ 244,060	$ 1,084,966	$ 1,329,026
Additions	5,760	-	5,760
Acquisition costs, July 31, 2019	249,820	1,084,966	1,334,786
Deferred exploration costs, July 31, 2018	409,355	736,585	1,145,940
Additions:			
Claim maintenance	378	2,000	2,378
Geology	-	1,574	1,574
Deferred exploration costs, July 31, 2019	409,733	740,159	1,149,892
Total exploration and evaluation assets, July 31, 2019	$ 659,553	$ 1,825,125	$ 2,484,678

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2018 and 2017	$ 244,060	$ 1,084,966	$ 1,329,026
Deferred exploration costs, July 31, 2017	409,355	350,035	759,390
Additions:			
Assaying	-	9,773	9,773
Camp and travel	-	36,525	36,525
Claim maintenance	-	1,617	1,617
Equipment rental	-	156,935	156,935
Geology	-	181,700	181,700
Deferred exploration costs, July 31, 2018	409,355	736,585	1,145,940
Total exploration and evaluation assets, July 31, 2018	$ 653,415	$ 1,821,551	$ 2,474,966

Bluffpoint Project

The Company holds a 100% interest in mining claims, located in Bluffpoint Lake Township, with portions extending into the townships of Lawrence Lake, Napanee Lake and Barker Bay in the Kenora Mining Division of Northwestern Ontario (the "Bluffpoint Project").

The Bluffpoint Project is subject to a 2% Net Smelter Royalty ("NSR"), of which 1% may be purchased by the Company at any time for $1,000,000. If the optionors decide to dispose of their remaining 1% NSR, the Company has the first right of refusal to acquire the remaining 1% NSR on the same terms and conditions that the optionors propose to dispose of their NSR.

During the year ended July 31, 2019, the Company acquired, through staking, additional key unpatented mining claims adjacent to the Bluffpoint Project.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Huronian Gold Project

The Company holds a 100% interest in the Huronian Gold Project ("Huronian Project"), located in Moss Township, Thunder Bay Mining Division, Ontario.

The Company retains a right to purchase up to 50% of the NSR by paying up to $2,000,000. In addition, the Company retains a right of first refusal to acquire the NSR at the same terms and prices that would be set out in any arm's length third party offer.

During the year ended July 31, 2017, the Company acquired a 100% interest in a mining claim adjacent to the Huronian Project. In consideration for the purchase, the Company paid $20,000 cash and issued 200,000 shares of its common stock for a total fair value of $24,000. The claim is subject to a 2% NSR, of which 1% may be purchased by the Company at any time for the payment of $1,000,000.

7. MARKETABLE SECURITIES

The Company's marketable securities consist of First Mining shares (the "FM Shares")

At initial recognition, the Company recorded $3,102,000 as fair market value of the FM Shares. During the year ended July 31, 2019, the Company sold 763,000 FM Shares (2018 – 702,000 FM Shares) for total cash proceeds of $281,842 (2018 – $369,452). The Company realized a gain of $27,437 on sales of FM Shares (2018 – loss – $39,768).

At July 31, 2019, the investment in FM Shares was valued at $873,450 (2018 - $1,739,130), based on the closing share price of $0.27 (2018 - $0.435). The Company records its marketable securities as FVTPL. During the year ended July 31, 2019, the Company recorded a loss of $611,275 on revaluation of its securities to their fair market value (2018 - $718,650).

8. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Share issuances

During the year ended July 31, 2019, the Company did not issue any shares of its common stock.

During the year ended July 31, 2018, the Company issued 800,000 shares of its common stock on exercise of warrants for proceeds of $80,000.

Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may, from time to time, at their discretion and in accordance with TSX-V requirements, grant stock options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares of the Company. Such options are exercisable for a period of up to five years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (CONTINUED)

Stock options (Continued)

A summary of the changes in stock options outstanding is as follows:

	Year ended July 31, 2019		Year ended July 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning	3,245,000	$ 0.09	1,845,000	$ 0.10
Granted	-	-	1,650,000	0.10
Cancelled or expired	-	-	(250,000)	(0.29)
Outstanding, ending	3,245,000	$ 0.09	3,245,000	$ 0.09
Exercisable, ending	3,245,000	$ 0.09	3,095,000	$ 0.09

Stock options at July 31, 2019, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding and exercisable
$0.05	March 26, 2020	0.65	700,000
$0.06	April 13, 2021	1.70	300,000
$0.11	May 31, 2021	1.84	595,000
$0.10	December 21, 2022	3.39	1,650,000

At July 31, 2019, the weighted average remaining contractual life of the stock options outstanding was 2.36 years.

During the year ended July 31, 2018, the Company granted stock options to an investor relation consultant to purchase 300,000 shares at $0.10 per share for five years. 75,000 options vested on a quarterly basis commencing on March 21, 2018. During the year ended July 31, 2019, the Company assessed a recovery of $788 (2018 – expense $121,724) using the Black-Scholes Option pricing model with the following assumptions:

	July 31, 2018	July 31, 2019
Expected life	4.39 – 4.76 years	4.00 - 4.75 years
Annualized volatility	149% - 152%	152% - 156%
Risk-free interest rate	2.10% - 2.22%	1.96% - 2.33%
Dividend yield	Nil	Nil

Share-purchase warrants

A summary of the changes in share-purchase warrants outstanding is as follows:

	Year ended July 31, 2019	Year ended July 31, 2018
	Numbers of warrants	Numbers of warrants
Outstanding, beginning	-	2,317,600
Expired	-	(1,517,600)
Exercised	-	(800,000)
Outstanding, ending	-	-

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

Related parties include the directors, officers, key management personnel, close family members and entities controlled by these individuals. Key management personnel are these having authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

The remuneration of related parties including directors and key management was as follows:

	Year ended July 31,			
		2019		2018
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 6)	$	9,712	$	384,933
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	$	72,000	$	72,000
Management fees incurred to a private company controlled by an officer of the Company	$	60,000	$	40,000

The balances due to related parties consist of amounts owed directly to the officers and directors of the Company and to private companies controlled by the officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand. At July 31, 2019, the balance payable to related parties was $404,245 (2018 - $317,256).

At July 31, 2019, the Company was indebted to Fladgate Exploration Consulting Corporation ("Fladgate"), a private company controlled by certain directors and officers of the Company, in the amount of $91,738 (2018 - $84,708) under the loan payable the Company issued to Fladgate during the year ended July 31, 2017. The loan bears interest at 8% per annum compounded monthly, is unsecured and due on demand. During the year ended July 31, 2019, the Company recorded interest expense of $7,030 (2018 - $18,557).

10. INCOME TAXES

A reconciliation of income taxes at statutory rate is as follows:

	Year ended July 31,			
		2019		2018
Net loss before tax	$	(820,758)	$	(1,200,300)
Statutory income tax rate		27%		26%
Expected income tax (recovery)		(220,000)		(312,000)
Effect of non-deductible (non-taxable) items		102,000		134,000
Adjustment to prior year tax provision		18,000		148,000
Change in unrecognized deferred tax assets		102,000		30,000
Income tax recovery	$	-	$	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (CONTINUED)

The Company's deferred tax assets and liabilities are comprised of the following:

		Year ended July 31, 2019		2018
Deferred tax assets:				
Exploration and evaluation assets	$	234,000	$	210,000
Non-capital losses		3,000		218,000
Marketable securities		170,000		117,000
Allowable capital losses		228,000		12,000
Share issuance costs		30,000		6,000
		665,000		563,000
Unrecognized deferred tax assets		(665,000)		(563,000)
Net deferred tax asset	$	-	$	-

The Company has non-capital losses of approximately $846,000 which may be used to reduce future taxable income and expire in the years 2034 – 2039.