



(FORMERLY GOLDEN PEAK MINERALS INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED FEBRUARY 28, 2019

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated 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 consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

April 29, 2019

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	February 28, 2019	August 31, 2018
ASSETS		
Current		
Cash	\$ 23,707	\$ 260,836
Amounts receivable	20,042	81,845
Prepaid expenses	26,864	79,536
	70,613	422,217
Exploration and evaluation assets (Notes 6 and 7)	3,518,566	2,413,801
	\$ 3,589,179	\$ 2,836,018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 649,007	\$ 419,643
Loan payable (Note 7)	100,000	-
	749,007	419,643
Shareholders' Equity		
Share capital (Note 8)	11,990,508	10,781,930
Contributed surplus	1,648,573	1,268,708
Deficit	(10,802,145)	(9,636,636)
Accumulated other comprehensive income – Cumulative translation adjustments	3,236	2,373
	2,840,172	2,416,375
	\$ 3,589,179	\$ 2,836,018

Going Concern (Note 2)
 Commitments (Note 6)
 Subsequent Events (Note 12)

Authorized for issuance on behalf of the Board on April 29, 2019:

"Leigh Hughes" Director

"Wesley Hanson" Director

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Expenses				
Consulting fees (Note 7)	\$ 94,000	\$ 219,917	\$ 250,188	\$ 322,444
Foreign exchange loss	25,295	-	15,450	-
Management fees (Note 7)	85,000	20,000	182,500	35,000
Office and general (Note 7)	7,696	7,120	22,728	14,405
Professional fees	14,769	12,218	60,549	12,218
Rent (Note 7)	9,000	9,000	18,000	18,000
Share-based payments (Notes 7 and 8)	423,555	-	467,752	-
Shareholder communications and investor relations	53,987	910	95,898	9,145
Transfer agent and filing fees	9,557	9,682	12,775	12,234
Travel	21,150	1,452	39,669	1,452
Loss Before Other Items	(744,009)	(280,299)	(1,165,509)	(424,898)
Other Items				
Impairment of exploration and evaluation assets (Note 6)	-	(3,933,922)	-	(3,933,922)
Other income	-	-	-	25,338
Part XII.6 tax	-	-	-	(57)
	-	(3,933,922)	-	(3,908,641)
Net Loss for the Period	(744,009)	(4,214,221)	(1,165,509)	(4,333,539)
Other Comprehensive Income				
Items that may be reclassified subsequently to income or loss:				
Exchange difference on translating foreign operations	4,286	-	863	-
Comprehensive Loss for the Period	\$ (739,723)	\$ (4,214,221)	\$ (1,164,646)	\$ (4,333,539)
Loss per Share – Basic and Diluted	\$ (0.02)	\$ (0.23)	\$ (0.03)	\$ (0.24)
Weighted Average Number of Common Shares Outstanding				
	46,869,646	18,246,186	45,736,296	18,246,186

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Expressed in Canadian Dollars)

	Share Capital			Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
	Number of Shares	Share Capital	Obligation to Issue Shares				
Balance, August 31, 2017	17,855,453	\$ 6,644,799	\$ -	\$ 839,716	\$ (3,336,391)	\$ -	\$ 4,148,124
Private placements	14,144,546	1,697,346	-	-	-	-	1,697,346
Share issuance costs	-	(145,137)	-	51,986	-	-	(93,151)
Obligation to issue shares	-	-	511,500	-	-	-	511,500
Net loss for the period	-	-	-	-	(4,333,539)	-	(4,333,539)
Balance, February 28, 2018	31,999,999	8,197,008	511,500	891,702	(7,669,930)	-	1,930,280
Shares issued for exploration and evaluation assets	6,611,058	1,896,707	(511,500)	-	-	-	1,385,207
Warrants exercised	3,890,992	688,215	-	-	-	-	688,215
Stock options granted	-	-	-	377,006	-	-	377,006
Net loss for the period	-	-	-	-	(1,966,706)	-	(1,966,706)
Exchange difference on translating foreign operations	-	-	-	-	-	2,373	2,373
Balance, August 31, 2018	42,502,049	10,781,930	-	1,268,708	(9,636,636)	2,373	2,416,375
Shares issued for exploration and evaluation assets	1,633,631	514,594	-	-	-	-	514,594
Warrants exercised	2,839,366	486,097	-	-	-	-	486,097
Stock options exercised	600,000	207,887	-	(87,887)	-	-	120,000
Stock options granted	-	-	-	467,752	-	-	467,752
Net loss for the period	-	-	-	-	(1,165,509)	-	(1,165,509)
Exchange difference on translating foreign operations	-	-	-	-	-	863	863
Balance, February 28, 2019	47,575,046	\$ 11,990,508	\$ -	\$ 1,648,573	\$ (10,802,145)	\$ 3,236	\$ 2,840,172

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Condensed Consolidated Interim Statements of Cash Flows
For the Six Months Ended
(Unaudited – Expressed in Canadian Dollars)

	February 28, 2019	February 28, 2018
Operating Activities		
Net loss for the period	\$ (1,165,509)	\$ (4,333,539)
Items not involving cash:		
Impairment of exploration and evaluation assets	-	3,933,922
Share-based payments	467,752	-
Other income	-	(25,338)
Changes in non-cash working capital balances:		
Amounts receivable	61,803	29,295
Prepaid expenses	52,672	(29,292)
Accounts payable and accrued liabilities	281,146	131,721
Cash Used in Operating Activities	(302,136)	(293,231)
Investing Activity		
Exploration and evaluation asset expenditures, net	(641,090)	(129,530)
Cash Used in Investing Activity	(641,090)	(129,530)
Financing Activities		
Shares issued for cash	606,097	1,697,346
Share issuance costs	-	(93,151)
Proceeds from loan payable	100,000	-
Cash Provided by Financing Activities	706,097	1,604,195
Change in Cash	(237,129)	1,181,434
Cash, Beginning of Period	260,836	178,018
Cash, End of Period	\$ 23,707	\$ 1,359,452
Non-cash Transactions and Supplemental Disclosures		
Shares issued for exploration and evaluation assets (Notes 6 and 8)	\$ 514,594	\$ -
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities (opening)	\$ 318,538	\$ 89,691
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities (closing)	\$ 266,756	\$ 181,548
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended February 28, 2019
(Unaudited – Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

BlueBird Battery Metals Inc. (formerly Golden Peak Minerals Inc.) (the “Company”) is an exploration stage company incorporated pursuant to the British Columbia *Business Corporations Act* on March 31, 2011. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired. The Company changed its name from Golden Peak Minerals Inc. to BlueBird Battery Metals Inc. on April 17, 2018. The Company’s shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “BATT” and on the OTCQB under the symbol “BBBMF”. The address of the Company’s corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a net loss of \$1,165,509 for the six months ended February 28, 2019 (2018 - \$4,333,539) and has an accumulated deficit of \$10,802,145 at February 28, 2019 (August 31, 2018 - \$9,636,636). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements of the Company should be read in conjunction with the Company’s 2018 annual financial statements that have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 29, 2019.

b) Measurement basis

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value. These condensed consolidated interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

BLUEBIRD BATTERY METALS INC.
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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended February 28, 2019
(Unaudited – Expressed in Canadian Dollars)

3. BASIS OF PREPARATION (Continued)

c) Subsidiary

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, BlueBird Battery Metals Australia Pty. Ltd., which was incorporated in Australia on April 10, 2018. Intercompany balances and transactions are eliminated in preparation of the Company's condensed consolidated interim financial statements.

d) Foreign currency translation

The functional currency of the Company is the Canadian dollar. The functional currency of the Company's Australian subsidiary is the Australian dollar, which is determined to be the currency of the primary economic environment in which the subsidiary operates.

Transactions in currencies other than the functional currency are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items are measured at historical cost in a functional currency and are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 4 to the audited consolidated financial statements for the year ended August 31, 2018.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

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

a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

d) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the condensed consolidated interim financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at February 28, 2019, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

b) Fair value of stock options granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

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(formerly Golden Peak Minerals Inc.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended February 28, 2019
(Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

	Canegrass Property	Ashburton Property	Atikwa Lake / Maybrun Properties	Batt Property	Hemlo Properties	Total
<u>Acquisition Costs</u>						
Balance, August 31, 2017	\$ -	\$ -	\$ 725,953	\$ -	\$ 2,290,022	\$ 3,015,975
Acquisition and option payments (cash)	50,000	25,000	-	25,000	-	100,000
Acquisition and option payments (shares)	945,707	-	-	67,500	883,500	1,896,707
Claim costs	-	-	1,331	-	1,016	2,347
Impairment	-	-	(17,000)	-	(3,174,538)	(3,191,538)
Balance, August 31, 2018	995,707	25,000	710,284	92,500	-	1,823,491
Acquisition and option payments (shares)	-	514,594	-	-	-	514,594
Claim costs	-	79,267	1,209	-	-	80,476
Balance, February 28, 2019	\$ 995,707	\$ 618,861	\$ 711,493	\$ 92,500	\$ -	\$ 2,418,561
<u>Deferred Exploration Expenditures</u>						
Balance, August 31, 2017	\$ -	\$ -	\$ 181,046	\$ -	\$ 914,383	\$ 1,095,429
Camp and other	5,077	4,685	6,000	-	15,100	30,862
Drilling	90,933	-	-	-	-	90,933
Geological	114,911	3,335	84,350	48,629	13,750	264,975
Geophysics	63,972	-	-	-	158,523	222,495
Impairment	-	-	(12,628)	-	(1,101,756)	(1,114,384)
Balance, August 31, 2018	274,893	8,020	258,768	48,629	-	590,310
Camp and other (recovery)	158	-	(2,970)	-	-	(2,812)
Drilling	254,746	-	-	-	-	254,746
Geological	99,282	3,190	10,800	21,657	-	134,929
Geophysics	123,834	-	-	-	-	123,834
Currency translation difference	(965)	(37)	-	-	-	(1,002)
Balance, February 28, 2019	\$ 751,948	\$ 11,173	\$ 266,598	\$ 70,286	\$ -	\$ 1,100,005
<u>Total Exploration and Evaluation Assets</u>						
Balance, August 31, 2018	\$ 1,270,600	\$ 33,020	\$ 969,052	\$ 141,129	\$ -	\$ 2,413,801
Balance, February 28, 2019	\$ 1,747,655	\$ 630,034	\$ 978,091	\$ 162,786	\$ -	\$ 3,518,566

BLUEBIRD BATTERY METALS INC.
(formerly Golden Peak Minerals Inc.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended February 28, 2019
(Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Canegrass Property

On March 15, 2018, the Company entered into an option agreement with Trafalgar Resources Pty. Ltd. (“Trafalgar”) to acquire a 100% interest in the Canegrass Property, located in the Mount Magnet region of Western Australia.

In consideration, the Company must make payments as follows:

- Cash payment of \$25,000 (paid) and issuance of 3,000,000 common shares of the Company (issued and valued at \$870,000) upon approval by the TSX-V (approval received on March 21, 2018);
- Issuance of an additional 1,875,000 common shares of the Company on or before March 21, 2019 (issued subsequent to February 28, 2019 and valued at \$553,125); and
- Issuance of an additional 1,875,000 common shares of the Company on or before March 21, 2020.

The Company must also incur exploration expenditures as follows:

- \$500,000 on or before March 21, 2019 (incurred);
- An additional \$1,000,000 on or before March 21, 2020; and
- An additional \$1,500,000 on or before March 21, 2021.

A finder’s fee of 261,058 shares (issued and valued at \$75,707) was paid in relation to the agreement. Subject to further TSX-V approval, a discovery bonus of 1,500,000 common shares of the Company will be issued in the event of discovery of a copper/cobalt equivalent resource of 250,000 ounces or greater on the Canegrass Property.

The Company also paid a \$25,000 letter of intent (“LOI”) fee to Trafalgar during the year ended August 31, 2018.

b) Ashburton Project

On August 8, 2018, the Company entered into an agreement to acquire a 100% interest in the Ashburton Project, located in Western Australia.

In consideration, the Company must make payments as follows:

- Issuing common shares of the Company upon completion with a volume weighted average price (“VWAP”) over a 30-day period of \$750,000 (issued and valued at \$514,594 based on the trading price at the date of issuance); and
- Issuing common shares of the Company with a VWAP over a 30-day period of \$750,000 on October 9, 2019.

The Company also paid a \$25,000 LOI fee to the vendor during the year ended August 31, 2018.

c) Atikwa Lake / Maybrun Properties

On February 4, 2016, the Company entered into an agreement to acquire a 100% undivided interest in 20 mineral claims located in Ontario. As consideration, the Company issued 75,000 common shares of the Company at a value of \$60,000.

In March 2017, an additional five claims were acquired for \$6,480.

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For the Six Months Ended February 28, 2019
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6. EXPLORATION AND EVALUATION ASSETS (Continued)

c) Atikwa Lake / Maybrun Properties (continued)

On April 7, 2017, the Company entered into an agreement to acquire a 100% interest in the Maybrun Property located in Ontario. As consideration, the Company issued 1,200,000 common shares at a value of \$600,000 and paid \$40,000 in cash.

The vendors retained a 2% net smelter return royalty (“NSR”) on the property. The Company had the option to purchase 1% of the 2% NSR (one-half) at a price of \$1,000,000.

On June 19, 2017, the Company entered into an option agreement to acquire additional claims on the Atikwa Lake Property. Under the terms of the option agreement, the Company could earn a 100% interest by making payments as follows:

- Issuing 25,000 common shares of the Company (issued) and making a cash payment of \$10,000 (paid) upon approval by the TSX-V;
- Issuing 25,000 common shares of the Company and making a cash payment of \$25,000 by June 23, 2018;
- Issuing 50,000 common shares of the Company and making a cash payment of \$35,000 by June 23, 2019; and
- Issuing 85,000 common shares of the Company and making a cash payment of \$60,000 by June 23, 2020.

The Company was also required to incur exploration expenditures on the additional claims as follows:

- \$50,000 on or before June 19, 2018;
- An additional \$75,000 on or before June 19, 2019; and
- An additional \$150,000 on or before June 19, 2020.

The vendors retained a 2% NSR on the property. The Company had the option to purchase 1% of the 2% NSR (one-half) at a price of \$1,000,000.

On April 6, 2018, the Company provided termination notice to the vendors of the June 19, 2017 option agreement. The Company recorded an impairment of \$29,628 as a result of the termination.

d) Batt Property

On March 26, 2018, the Company entered into an option agreement with Strategic Metals Ltd. (“Strategic”) to acquire an 80% interest in the Batt Property, located in Yukon Territory. In consideration, the Company paid cash of \$25,000 and issued 250,000 common shares of the Company valued at \$67,500.

The Company must also incur exploration expenditures as follows:

- \$50,000 on or before March 31, 2019 (incurred);
- An additional \$150,000 on or before March 31, 2020; and
- An additional \$300,000 on or before March 31, 2021.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended February 28, 2019
(Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

d) Batt Property (continued)

Strategic retains a 1% NSR on the property. In the case the option agreement terms are met, a joint venture (“JV”) will be formed between the Company and Strategic. Should Strategic’s JV participation drop below 10%, the NSR will increase to 2%. At that time, the Company may repurchase 1% (one-half) of the NSR for \$1,000,000, subject to further TSX-V approval.

e) Hemlo Properties

Heikki Property

On October 28, 2016, and as amended November 17, 2017, the Company entered into four option agreements to acquire the Esa, Kulta, Seija and Soturi properties, collectively, the Heikki Property, located in Ontario. Under the terms of the option agreements, the Company can earn a 100% interest by making payments as follows:

- Issuing 2,600,000 common shares of the Company (issued) and making a cash payment of \$105,000 (paid) upon approval by the TSX-V;
- Issuing 3,100,000 common shares of the Company (issued) by January 31, 2018; and
- Issuing 1,750,000 common shares of the Company by November 17, 2018.

The vendors retained a 3% NSR on each of the four properties. The Company had the option to purchase 1% of the 3% NSR (one-third) at a price of \$500,000.

On April 6, 2018, the Company provided termination notice to the vendors of the Heikki Property. The Company issued 3,100,000 common shares of the Company valued at \$883,500 in relation to the January 31, 2018 payment. The Company recorded an impairment of \$2,997,499 as a result of the termination.

Hemlo East

On January 27, 2017, the Company entered into an option agreement to acquire the Hemlo East Property, located in Ontario. Under the terms of the option agreement, the Company could earn a 100% interest by making payments as follows:

- Issuing 750,000 common shares of the Company (issued and valued at \$352,500) and making a cash payment of \$100,000 (paid) upon approval by the TSX-V;
- Issuing 500,000 common shares of the Company and making a cash payment of \$100,000 by February 8, 2018;
- Issuing 500,000 common shares of the Company and making a cash payment of \$100,000 by February 8, 2019; and
- Issuing 500,000 common shares of the Company and making a cash payment of \$40,000 by February 8, 2020.

The Company was also required to incur exploration expenditures on the property as follows:

- \$600,000 on or before January 27, 2018;
- An additional \$600,000 on or before January 27, 2019; and
- An additional \$600,000 on or before January 27, 2020.

The vendor retained a 2.5% NSR on the property. The Company had the option to purchase 0.5% of the 2.5% NSR (one-fifth) at a price of US \$1,000,000.

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For the Six Months Ended February 28, 2019
(Unaudited – Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

e) Hemlo Properties (continued)

On January 31, 2018, the Company provided termination notice to the vendor of the Hemlo East Property. The Company recorded an impairment of \$591,195 as a result of the termination.

Hemlo East Extension and Hemlo West

On May 31, 2017, and as amended December 18, 2017 and January 31, 2018, the Company entered into two agreements to acquire additional claims in the Hemlo area. Under the terms of the agreements, the Company could earn a 100% interest by making payments as follows:

- Issuing 2,200,000 common shares of the Company upon approval by the TSX-V (issued and valued at \$682,000); and
- Issuing 1,000,000 common shares of the Company and making a cash payment of \$500,000 by March 2, 2018.

The vendors retained a 2% NSR on each property. The Company had the option to purchase 1% of each 2% NSR (one-half) at a price of \$1,000,000 each.

On April 6, 2018, the Company provided termination notice to the vendors of the Hemlo East Extension Property and Hemlo West Property. The Company recorded an impairment of \$687,600 as a result of the terminations.

7. RELATED PARTY BALANCES AND TRANSACTIONS

These amounts of key management compensation are included in exploration and evaluation assets and the amounts shown on the condensed consolidated interim statements of comprehensive loss:

	Six Months Ended February 28, 2019	Six Months Ended February 28, 2018
Consulting fees	\$ 22,688	\$ -
Geological	\$ 8,250	\$ 87,500
Management fees	\$ 182,500	\$ 35,000
Share-based payments	\$ 197,385	\$ -

Key management includes directors and officers of the Company, including the Chief Executive Officer, President and Chief Financial Officer.

During the six months ended February 28, 2019, the Company paid:

- \$18,000 (2018 - \$18,000) in rent to a company with common officers;
- \$42,000 (2018 - \$nil) in consulting fees to a private company controlled by an officer; and
- \$18,000 (2018 - \$nil) in office expenses to a private company controlled by an officer.

As at February 28, 2019, included in accounts payable and accrued liabilities is \$146,032 (August 31, 2018 - \$31,465) due to directors and officers of the Company.

As at February 28, 2019, included in loan payable is \$100,000 (August 31, 2018 - \$nil) due to a private company controlled by an officer. The amount is non-interest-bearing and without terms of repayment.

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8. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding

During the six months ended February 28, 2019

- On October 9, 2018, the Company issued 1,633,631 common shares valued at \$514,594 for the acquisition of the Ashburton Property (Note 6(b)).
- During the six months ended February 28, 2019, the Company received \$486,097 pursuant to the exercise of 2,839,366 warrants and \$120,000 on the exercise of 600,000 stock options. The Company transferred \$87,887, the previously recorded fair value of the stock options, from contributed surplus to share capital upon exercise of the stock options.

During the year ended August 31, 2018

- On February 23, 2018, the Company completed a non-brokered private placement for gross proceeds of \$1,697,346. The Company issued 14,144,546 units at a price of \$0.12 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.15 for a period of two years.

The Company incurred finder's fees of \$83,914 and other share issue costs of \$9,237. The Company also issued 399,285 finder's warrants valued at \$51,986 (Note 8(c)) and entitling the holder to acquire one non-flow-through common share of the Company at an exercise price of \$0.15 for a period of two years.

- On March 22, 2018, the Company issued 3,261,058 common shares valued at \$945,707 for the acquisition of the Canegrass Property, which included a 261,058-share issuance for a finder's fee (Note 6(a)).
- On April 9, 2018, the Company issued 250,000 common shares valued at \$67,500 for the acquisition of the Batt Property (Note 6(d)).
- On May 14, 2018, the Company issued 3,100,000 common shares valued at \$883,500 for the acquisition of the Heikki Property (Note 6(e)).
- During the year ended August 31, 2018, the Company received \$688,215 pursuant to the exercise of 3,890,992 warrants.

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8. SHARE CAPITAL (Continued)

c) Warrants

Warrant transactions and the number of warrants outstanding for the six months ended February 28, 2019 and year ended August 31, 2018 are summarized as follows:

	February 28, 2019		August 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	14,841,405	\$ 0.17	4,188,566	\$ 0.23
Issued	-	-	14,543,831	\$ 0.15
Exercised	(2,839,366)	\$ 0.17	(3,890,992)	\$ 0.18
Expired	(716,371)	\$ 0.35	-	-
Outstanding, end of period	11,285,668	\$ 0.15	14,841,405	\$ 0.17

The following warrants were outstanding and exercisable at February 28, 2019:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants
February 23, 2020	0.99	\$ 0.15	11,108,631
October 26, 2020	1.66	\$ 0.36	177,037
	1.00		11,285,668

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants granted. The fair value of each finder's warrant grant was calculated using the following weighted average assumptions:

	February 28, 2019	August 31, 2018
Expected life (years)	N/A	2.00
Risk-free interest rate	N/A	1.78%
Expected annualized volatility	N/A	104%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	\$ 0.21
Exercise price	N/A	\$ 0.15
Weighted average grant date fair value	N/A	\$ 0.13

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

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8. SHARE CAPITAL (Continued)

d) Stock options

The Company adopted a Stock Option Plan (the “Plan”) to grant incentive stock options to directors, officers, employees and consultants. Under the Plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a 12-month period with no more than 25% of the options vesting in any three-month period.

The following is a summary of option transactions under the Company's Plan for the six months ended February 28, 2019 and year ended August 31, 2018:

	February 28, 2019		August 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	3,300,000	\$ 0.30	1,389,000	\$ 0.42
Expired	(1,075,000)	\$ 0.29	(289,000)	\$ 0.29
Exercised	(600,000)	\$ 0.20	-	-
Granted	2,875,000	\$ 0.22	2,200,000	\$ 0.24
Outstanding, end of period	4,500,000	\$ 0.26	3,300,000	\$ 0.30

The following options were outstanding and exercisable at February 28, 2019:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
February 28, 2020	1.00	\$ 0.22	100,000	100,000
April 11, 2020	1.12	\$ 0.40	1,025,000	1,025,000
November 1, 2020	1.68	\$ 0.25	300,000	300,000
March 8, 2021	2.02	\$ 0.20	400,000	400,000
March 28, 2021	2.08	\$ 0.285	200,000	200,000
January 23, 2022	2.90	\$ 0.22	2,475,000	2,475,000
	2.26		4,500,000	4,500,000

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8. SHARE CAPITAL (Continued)

d) Stock options (continued)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each stock option grant was calculated using the following weighted average assumptions:

	February 28, 2019	August 31, 2018
Expected life (years)	2.90	3.00
Risk-free interest rate	1.93%	1.92%
Expected annualized volatility	127%	133%
Dividend yield	N/A	N/A
Stock price at grant date	\$ 0.22	\$ 0.23
Exercise price	\$ 0.22	\$ 0.24
Weighted average grant date fair value	\$ 0.16	\$ 0.18

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and accounts payable. Cash is classified as fair value through profit or loss. Accounts payable are classified as amortized cost. The carrying values of these instruments approximate their fair values due to the relatively short periods to maturity of these instruments.

The following table sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy as follows:

February 28, 2019	Level 1	Level 2	Level 3	Total
Cash	\$ 23,707	\$ -	\$ -	\$ 23,707
August 31, 2018	Level 1	Level 2	Level 3	Total
Cash	\$ 260,836	\$ -	\$ -	\$ 260,836

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash. To minimize the credit risk on cash, the Company places the instrument with a major Canadian financial institution.

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9. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at February 28, 2019, the Company had cash of \$23,707 (August 31, 2018 - \$260,836) to settle accounts payable and accrued liabilities of \$649,007 (August 31, 2018 - \$419,643), which fall due for payment within 30 days of February 28, 2019. All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

- i) *Currency risk* – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has operations in Canada and Australia and incurs operating and exploration expenditures in both currencies. The fluctuation of the Canadian dollar in relation to the Australian dollar will have an impact upon the results of the Company. A fluctuation in the exchanges rates between the Canadian and Australian dollars of 10% would result in a change to the Company's cash of \$25 and accounts payable and accrued liabilities of \$16,000. The Company does not use any techniques to mitigate currency risk.
- ii) *Interest rate risk* – The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations. The Company has no interest-bearing financial liabilities.
- iii) *Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company does not have significant exposure to this risk.

10. MANAGEMENT OF CAPITAL

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended February 28, 2019 or year ended August 31, 2018. The Company is not subject to externally imposed capital requirements.

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11. SEGMENTED INFORMATION

Geographical information related to the Company's non-current assets is as follows:

	February 28, 2019	August 31, 2018
Exploration and evaluation assets – Canada	\$ 1,140,877	\$ 1,110,181
Exploration and evaluation assets – Australia	2,377,689	1,303,620
Total exploration and evaluation assets	\$ 3,518,566	\$ 2,413,801

12. SUBSEQUENT EVENTS

- a) Subsequent to February 28, 2019, the Company issued 748,333 common shares for proceeds of \$112,500 on the exercise of 748,333 warrants.
- b) Subsequent to February 28, 2019, the Company issued 1,875,000 common shares for the Canegrass Property (Note 6(a)).