DISCOVERY-CORP ENTERPRISES INC.
(An exploration stage company)

July 31, 2019 and 2018

(Expressed in Canadian Dollars)

Index

Page

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DISCOVERY-CORP ENTERPRISES INC.

Opinion
We have audited the consolidated financial statements of Discovery-Corp Enterprises Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information
Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
October 29, 2019

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DISCOVERY-CORP ENTERPRISES INC.
(An exploration stage company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	Year Ended July 31, 2019	Year Ended July 31, 2018
Expenses			
Administration	9, 12 and 13	$ 114,979	$ 155,468
Exploration	13	14,759	937
		(129,738)	(156,405)
Interest income		234	156
Net loss for year		(129,504)	(156,249)
Item of other comprehensive loss			
Change in fair value of marketable securities	14	(31,743)	(21,128)
Total comprehensive loss for year		(161,247)	(177,377)
Loss per share (basic and diluted)		$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding		77,965,483	69,190,140

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

DISCOVERY-CORP ENTERPRISES INC.
(An exploration stage company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes		As at July 31, 2019		As at July 31, 2018
ASSETS					
Current assets					
Cash		$	30,713	$	15,729
Marketable securities	14		6,844		38,587
Accounts receivable			2,628		694
Total current assets			40,185		55,010
Non-current assets					
Reclamation bonds	6		8,000		8,000
Resource property interests	7		20,916		20,916
Total assets		**$**	**69,101**	**$**	**83,926**
LIABILITIES AND EQUITY					
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	12,240	$	12,285
EQUITY					
Share capital	8		7,071,058		6,924,591
Reserves	8		-		53,844
Accumulated other comprehensive income (loss)	14		(503,156)		16,240
Deficit			(6,511,041)		(6,923,034)
Total equity			56,861		71,641
Total equity and liabilities		**$**	**69,101**	**$**	**83,926**

APPROVED ON BEHALF OF THE BOARD:

"Iain Brown"
________________________ Director
Iain Brown

"Alex Pannu"
________________________ Director
Alex Pannu

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

DISCOVERY-CORP ENTERPRISES INC.
(An exploration stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

		Share Capital					
	Notes	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance, July 31, 2017		**64,170,962**	**$ 6,808,395**	**$ 127,494**	**$ 37,368**	**$ (6,840,435)**	**$ 132,822**
Net loss		-	-	-	-	(156,249)	(156,249)
Other comprehensive loss	14	-	-	-	(21,128)	-	(21,128)
Shares issued for private placement, net of share issuance costs	8	8,000,000	116,196	-	-	-	116,196
Expired options	8	-	-	(73,650)	-	73,650	-
Balance, July 31, 2018		**72,170,962**	**$ 6,924,591**	**$ 53,844**	**$ 16,240**	**$ (6,923,034)**	**$ 71,641**
Impact of adopting IFRS 9 on August 1, 2018 (Note 3(k))		**-**	**-**	**-**	**(487,653)**	**487,653**	**-**
Net loss		-	-	-	-	(129,504)	(129,504)
Other comprehensive loss	14	-	-	-	(31,743)	-	(31,743)
Shares issued for private placement, net of share issuance costs	8	15,000,000	146,467	-	-	-	146,467
Expired options	8	-	-	(53,844)	-	53,844	-
Balance, July 31, 2019		**87,170,962**	**$ 7,071,058**	**$ -**	**$ (503,156)**	**$ (6,511,041)**	**$ 56,861**

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

DISCOVERY-CORP ENTERPRISES INC.
(An exploration stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Notes	Year Ended July 31, 2019	Year Ended July 31, 2018
Operating activities			
Net loss for the year		$ (129,504)	$ (156,249)
Changes in non-cash working capital items			
Accounts receivable		(1,934)	986
Accounts payable and accrued liabilities		(45)	769
Cash used in operating activities		(131,483)	(154,494)
Financing activity			
Private placement, net of issue costs	8	146,467	116,196
Cash provided by financing activity		146,467	116,196
Increase (decrease) in cash		14,984	(38,298)
Cash, beginning of year		15,729	54,027
Cash, end of year		$ 30,713	$ 15,729
Supplemental cash flow information			
Interest		-	-
Taxes		-	-

There were no investing activities during the years ended July 31, 2019 and 2018.

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

NOTE 1 – NATURE AND OPERATIONS

Discovery-Corp Enterprises Inc. (the “Company”) was incorporated under the laws of British Columbia on May 6, 1986, and maintains its head office and registered office at Suite 1108 - 193 Aquarius Mews, Vancouver, British Columbia, Canada, V6Z 2Z2. The Company is an exploration stage company engaged in exploration for base and precious metals.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to secure additional financing on a timely basis and achieve sufficient positive cash flows from operating activities to cover obligations and expenses. Management may actively seek additional financing opportunities through the issuance of equity as the need for capital arises.

NOTE 2 – STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Effective August 1, 2018, the Company adopted IFRS 9 Financial Instruments (“IFRS 9”). IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of each standard.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Approval of the Consolidated Financial Statements

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Amounts are stated in Canadian dollars, which is the functional and reporting currency for the Company and its subsidiary. The following reflects the significant accounting policies:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Prebble Resources USA, Inc. (a Nevada corporation). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany balances and transactions have been eliminated upon consolidation.

(b) Interest Income

Interest income derived from cash is recognized on an accrual basis as earned at the stated rate of interest.

(c) Exploration and Evaluation

The Company is in the exploration stage and capitalizes all acquisition costs related to its resource property interests until such time as the properties are put into commercial production, sold or abandoned. The Company expenses all exploration expenditures in the period incurred. Amounts shown as resource property interests represent acquisition costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values. If a property is put into commercial production, the acquisition costs relating to that property will be depleted based upon the proven reserves available.

From time to time, the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in income.

(d) Provisions for Environmental Rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Share-based Payments

The Company has a stock option plan that is described in Note 8(c). The Company may grant share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded method. Fair value of share-based payments to non-employees is recognized and measured at the date the goods or services are received based on the fair value of such goods or services. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. Upon option expiry, related amounts are transferred from reserves to deficit.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

(f) Common Shares

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(g) Equity Units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares and warrants on a residual value basis. The value allocated to the common shares is based on the market price of the shares and the residual, if any, is allocated to the warrants. Consideration received for the exercise of warrants is recorded in share capital and the related amount recognized in warrant reserve is transferred to share capital.

(h) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Non-current Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually. Other non-financial assets, including resource property interests, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to net loss, except to the extent they reverse gains previously recognized in other comprehensive income (loss).

(j) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net loss, except to the extent that if the income tax expense related to items recognized directly in equity, the income tax expense would also be recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position liability method. Under this method, deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments

On August 1, 2019, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9"), which replaced IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The change did not result in a change in carrying value of any of our financial instruments on transition date. The adoption of the ECL impairment model did not have an impact on the Company's consolidated financial statements.

For equity investments not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company elected to designate its equity investments as financial assets at FVTOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be recycled into income (loss) upon disposition. As a result of this change, the Company reclassified $487,653 of impairment losses recognized in prior years on marketable securities from opening deficit to accumulated other comprehensive income on August 1, 2018.

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financial assets of cash, marketable securities, and accounts payables and accrued liabilities.

i) Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. The Company's marketable securities are classified as FVTOCI.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

i) Financial Assets (continued)

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss). The Company's cash is classified as FVTPL.

ii) Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's financial liabilities include accounts payable and accrued liabilities and classified as financial liabilities subsequently measured at amortized cost.

iii) Fair Value Hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash, reclamation bonds, accounts payables and accrued liabilities are recorded at their carrying amounts and approximate their fair values due to their short- term nature. The fair values of the marketable securities are based on quoted market prices in accordance with Level 1 of the fair value hierarchy.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

<u>Recovery of deferred tax assets</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

<u>Exploration and evaluation assets</u>

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimates and assumptions made in the realization of the Company's investment in mineral property interests may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.

Cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Significant Accounting Estimates and Judgements (continued)

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation, and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statements of financial position at its carrying value as management has determined there are no indicators of impairment for its mineral properties as at July 31, 2019 and 2018.

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Management assesses the amount of cash on hand at each reporting date to determine whether the Company pursues any exploration programs or adjusts management salaries and other expenses in the following year. Management ensures that the Company has enough cash to cover the operating expenses. Subsequent to July 31, 2019, the Company received $300,000 in funds in advance for share issuances (Note 15).

NOTE 4 – RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and reclamation bonds. The Company limits exposure to credit risk by maintaining its cash and reclamation bonds with major financial institutions.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At July 31, 2019, the Company had cash of $30,713 (2018 - $15,729) available to apply against short-term business requirements and current liabilities of $12,240 (2018 - $12,285). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company holds 280,449 Global Resource Investment Trust, plc ("GRIT") common shares traded on the London Stock Exchange and as such the Company is exposed to significant market risk. The Company's sensitivity analysis suggests that a 28% (2018 - 28%) change in market prices would change comprehensive loss by $1,916 (2018 - $10,804). The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since July 31, 2018. Subsequent to July 31, 2019, the Company sold the GRIT shares for $6,844 (Note 14).

(Expressed in Canadian dollars)

NOTE 5 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource property interests. In the management of capital, the Company includes the components of equity as capital. 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, option its resource property interests for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company has not changed its capital risk management strategy during the year ended July 31, 2019 and is not subject to externally imposed capital requirements.

NOTE 6 – RECLAMATION BONDS

The reclamation bonds are comprised of a $1,000 (2017 - $1,000) cash deposit plus term deposits held in a financial institution as security for reclamation obligations pursuant to the *Mines Act* and *Health, Safety and Reclamation Code for Mines* in British Columbia. The $2,000 (2018 - $2,000) term deposit bears interest at 1% per annum and matures September 9, 2020. The $5,000 (2018 - $5,000) term deposit bears interest at prime minus 2.7% and matures January 6, 2020. The deposits are renewed annually.

NOTE 7 – RESOURCE PROPERTY INTERESTS

	2019	2018
Galaxy Property, British Columbia, Canada	$ 20,916	$ 20,916

Galaxy Property, British Columbia, Canada

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

Rock Creek, Nevada, USA

The Company holds a 50% interest in the Rock Creek property. The Company has written off the property for accounting purposes in 2006, but retains its interest for viable projects in the future.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

NOTE 7 – RESOURCE PROPERTY INTERESTS (continued)

Environmental (continued)

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

Title

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

Realization

The investment in resource properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

NOTE 8 – EQUITY

(a) Authorized: unlimited number of common shares without par value

(b) Issued:

During the year ended July 31, 2019:

(i) On March 12, 2019, the Company closed a non-brokered private placement of 15,000,000 units at a price of $0.01 per unit for total gross proceeds of $150,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of $0.05 until March 7, 2022. No finder's fees were paid. Total share issuance costs of $3,533 were incurred yielding net proceeds of $146,467.

During the year ended July 31, 2018:

(ii) On December 12, 2017, the Company closed a non-brokered private placement of 8,000,000 units at a price of $0.015 per unit for total gross proceeds of $120,000. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of $0.05 until December 11, 2020. No finder's fees were paid. Total share issuance costs of $3,804 were incurred yielding net proceeds of $116,196.

(Expressed in Canadian dollars)

NOTE 8 – EQUITY (continued)

(c) Stock Options

The Company established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to employees and persons providing investor-relation or consulting services up to a limit of 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. The stock options are fully vested on the date of grant, except for options granted to persons providing investor relations services, which vest over a twelve-month period. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. There were no options granted during the years ended July 31, 2019 and 2018.

During the year ended July 31, 2019, 500,000 options exercisable at $0.12 per share expired unexercised (150,000 options expired on January 17, 2019 and 400,000 options expired on September 23, 2018). The related reserve amount of $53,844 was transferred to deficit.

During the year ended July 31, 2018, 500,000 options exercisable at $0.12 per share expired unexercised (on August 25, 2017). The related reserve amount of $73,650 was transferred to deficit.

A summary of the changes in the Company's stock options is as follows:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	550,000	$ 0.12	1,050,000	$ 0.12
Expired	(550,000)	$ 0.12	(500,000)	$ 0.12
Outstanding, end of year	-	$ -	550,000	$ 0.12

The weighted average remaining contractual life of options outstanding at July 31, 2019 is nil years (2018 – 0.2 years).

(d) Warrants

Details of the status of the Company's warrants as at July 31, 2019 and 2018 and changes during the years then ended are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2017	11,000,000	$ 0.06
Issued	8,000,000	$ 0.05
Balance, July 31, 2018	19,000,000	$ 0.05
Issued	15,000,000	$ 0.05
Balance, July 31, 2019	34,000,000	$ 0.05

(Expressed in Canadian dollars)

NOTE 8 – EQUITY (continued)

(d) Warrants (continued)

The warrants outstanding at July 31, 2019 are as follows:

Number of Warrants	Exercise Price	Expiry Date
2,000,000	$ 0.10	June 16, 2020*
9,000,000	$ 0.05	September 6, 2021**
8,000,000	$ 0.05	December 11, 2020
15,000,000	$ 0.05	March 7, 2022
34,000,000		

The weighted average remaining contractual life of warrants outstanding at July 31, 2019 is 2.08 years. (2018 – 1.7 years).

* These warrants were originally issued with an expiration date of June 16, 2017. The expiration date of these warrants has been extended to June 16, 2020.
** These warrants were originally issued with an expiration date of September 6, 2019. The expiration date of these warrants has been extended to September 6, 2021.

NOTE 9 – RELATED PARTY TRANSACTIONS

The consolidated financial statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. The remuneration of directors and other key management personnel was as follows:

	2019	2018
Short-term employee benefits (Notes 12 and 13)	$ 72,000	$ 95,250

Key management personnel were not paid any post-employment benefits, termination benefits or other long-term benefits during the respective periods. Included in administration fees are legal fees of $nil (2018 - $250) for legal services rendered by a corporation controlled by the President and CEO of the Company.

NOTE 10 – SEGMENT DISCLOSURE

The Company operates in one business segment, which is the acquisition and exploration of mineral property interests, and its non-current assets are held in Canada.

(Expressed in Canadian dollars)

NOTE 11 – INCOME TAXES

The Company has operating losses that may be carried forward to apply against future years' income for income tax purposes. These losses expire as follows:

	Canada	U.S.	Total
2025	$ 325,000	$ -	$ 325,000
2026	61,000	161,000	222,000
2027	216,000	1,000	217,000
2028	314,000	-	314,000
2029	210,000	2,000	212,000
2030	172,000	4,000	176,000
2031	187,000	2,000	189,000
2032	268,000	3,000	271,000
2033	269,000	2,000	271,000
2034	263,000	2,000	265,000
2035	193,000	2,000	195,000
2036	176,000	2,000	178,000
2037	179,000	3,000	182,000
2038	159,000	2,000	161,000
2039	130,000	-	130,000
	$ 3,122,000	$ 186,000	$ 3,308,000

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2019	2018
Net loss for year	$ (129,504)	$ (156,249)
Canadian statutory income tax rate	27.00%	26.00%
Loss tax benefit computed at statutory rates	(34,966)	(40,625)
Differences on tax rates between Canadian and U.S. jurisdiction	-	(218)
Effect of changes in tax rates	25,866	-
Change in timing differences	(4,285)	(2,747)
Impact of over provision in previous years	(653)	8,196
Unused tax losses and tax offsets not recognized in tax asset	14,038	54,968
Impact of foreign exchange on tax assets and liabilities	-	(19,574)
Income tax expense	$ -	$ -

(Expressed in Canadian dollars)

NOTE 11 – INCOME TAXES (continued)

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable that taxable income will be available for the recognition of deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2019	2018
Non-capital loss carry-forwards - Canada	$ 3,124,024	$ 2,989,267
Capital loss carry-forwards	649,930	649,930
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	627,019	627,019
Non-capital loss carry-forwards - US	198,972	198,972
Marketable securities	251,578	235,706
Share issuance costs	6,421	5,722
Unrecognized deductible temporary differences	$ 4,857,944	$ 4,706,616

NOTE 12 – ADMINISTRATION EXPENSES

The administration expenses for the Company are broken down as follows:

	2019	2018
Consulting fees administration (Note 9)	$ 62,000	$ 95,000
Professional fees	16,116	18,006
Travel	-	340
Rent	18,000	18,000
Listing, filing and transfer agent fees	15,875	19,395
Office and miscellaneous	2,523	2,734
Shareholder and investor relations	74	1,563
Bank charges	391	430
	$ 114,979	$ 155,468

NOTE 13 – EXPLORATION EXPENSES

The exploration expenses for the Company related to its Galaxy Property are broken down as follows:

	2019	2018
Government fees	$ 747	$ 247
First Nations Consultation (Note 9)	10,470	690
Geochem Field Exploration	3,542	-
	$ 14,759	$ 937

(Expressed in Canadian dollars)

NOTE 14 – MARKETABLE SECURITIES

On March 4, 2014, the Company entered into a share exchange agreement with GRIT, an arm's length party, listed on the London Stock Exchange. The Company received 280,449 ordinary shares of GRIT at a deemed value of £1 per GRIT share for a total value of £280,449 ($510,000). The fair value of the GRIT shares is based on the quoted market price on the London Stock Exchange.

In 2018 there was a decrease in fair value included in other comprehensive income of $21,128. In 2019 the shares were temporally halted and when trading resumed the GRIT shares were sold after July 31, 2019 for $6,844. Funds realized from the sale of the GRIT shares will be used by the Company for working capital.

	Cost	Market Value Adjustment	Fair Value
GRIT Shares			
July 31, 2019	$ 510,000	$ (503,156)	$ 6,844
July 31, 2018	$ 510,000	$ (471,413)	$ 38,587

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to the year ended July 31, 2019, the Company received $300,000 in funds in advance for a private placement which is in progress. The private placement consists of units at a share subscription price of $0.10 per unit. Each unit consist of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase an additional share in the capital of the Company at an exercise price of $0.15 for a period of 36 months when issued.