GOLDEN GOLIATH RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019, and 2018

(Expressed in Canadian Dollars)

MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Golden Goliath Resources Ltd.

Opinion

We have audited the consolidated financial statements of Golden Goliath Resources Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and 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 August 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 ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $8,808 during the year ended August 31, 2019 and, as of that date, had an accumulated deficit of $27,223,268. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 audit of the consolidated financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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.

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

Vancouver, Canada "Morgan & Company LLP"

December 24, 2019 Chartered Professional Accountants

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	AUGUST 31, 2019	AUGUST 31, 2018
ASSETS		
Current Assets		
Cash	**$ 355,740**	$ 63,641
Short-term investments (Note 5)	**1,013,321**	-
Accounts receivable (Note 6)	**69,253**	11,431
Due from related parties (Note 13)	**-**	3,911
Prepaid expenses	**2,367**	2,407
Total Current Assets	**1,440,681**	81,390
Non-current Assets		
Value-added taxes recoverable	**2,805**	739
Exploration and evaluation assets (Notes 7 and 16)	**622,403**	2,576,770
Property and equipment (Note 8)	**19,652**	20,865
Total Assets	**$ 2,085,541**	$ 2,679,764
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 96,801**	$ 38,906
Due to related parties (Note 13)	**36,500**	699,957
Employment benefit obligations	**43,310**	44,558
Total Liabilities	**176,611**	783,421
EQUITY		
Share capital (Note 9)	**26,063,652**	26,044,652
Share-based payments reserve	**3,068,546**	3,066,151
Deficit	**(27,223,268)**	(27,214,460)
Total Equity	**1,908,930**	1,896,343
Total Liabilities And Equity	**$ 2,085,541**	$ 2,679,764

Going Concern (Note 1)

These consolidated financial statements were authorized for issue by the Board of Directors on December 24, 2019. They are signed on behalf of the Company by:

“J. Paul Sorbara”	“Stephen W. Pearce”
Director	Director

See accompanying notes to consolidated financial statements.

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

		YEARS ENDED AUGUST 31,		
		2019		2018
Expenses				
Amortization	**$**	**1,213**	$	3,195
Consulting (Note 13)		**154,811**		90,521
Foreign exchange (gain) loss		**(15,752)**		5,606
Investor relations		**1,198**		1,900
Management fees (Note 13)		**120,000**		120,000
Office and general		**21,370**		19,805
Professional fees		**92,518**		79,990
Rent and utilities		**15,612**		14,796
Share-based compensation (Note 13)		**2,395**		79,381
Transfer agent and filing fees		**15,677**		14,619
Travel		**15,402**		3,442
Wages and benefits (Note 13)		**-**		1,796
Loss Before Other Income (Expenses)		**(424,444)**		(435,051)
Other Income (Expenses)				
Gain on sale of mineral properties		**417,327**		-
Write down of mineral property exploration costs		**(15,013)**		(3,593)
Interest income		**13,322**		-
Comprehensive Loss For The Year	**$**	**(8,808)**	$	(438,644)
Loss Per Share – Basic and Diluted	**$**	**(0.00)**	**$**	(0.00)
Weighted Average Number Of Shares Outstanding – Basic and diluted		**106,866,368**		106,660,889

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED AUGUST 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	COMMON SHARES WITHOUT PAR VALUE								
	SHARES		**AMOUNT**		**SHARE-BASED PAYMENTS RESERVE**		**DEFICIT**		**TOTAL EQUITY**
Balance, August 31, 2017	106,660,889	$	26,044,652	$	2,986,770	$	(26,775,816)	$	2,255,606
Share-based compensation	-		-		79,381		-		79,381
Net loss for the year	-		-		-		(438,644)		(438,644)
Balance, August 31, 2018	106,660,889		26,044,652		3,066,151		(27,214,460)		1,896,343
Share issue for mineral property	600,000		19,000		-		-		19,000
Share-based compensation	-		-		2,395		-		2,395
Net Income for the year	-		-		-		(8,808)		(8,808)
Balance, August 31, 2019	**107,260,889**	**$**	**26,063,652**	**$**	**3,068,546**	**$**	**(27,223,268)**	**$**	**1,908,930**

See accompanying notes to consolidated financial statements.

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	YEARS ENDED AUGUST 31, 2019	2018
Operating Activities		
Net loss for the year	**$ (8,808)**	$ (438,644)
Adjustments to reconcile loss to net cash used in operating activities:		
Accrual of management fees	**-**	155,913
Amortization	**1,213**	3,195
Gain on sale of mineral properties	**(417,327)**	-
Interest income	**(13,322)**	-
Share-based compensation	**2,395**	79,381
Write down of mineral property exploration costs	**15,013**	3,593
Change in non-cash operating assets and liabilities:		
VAT and other receivables	**(59,888)**	(9,053)
Due from related parties	**3,911**	-
Prepaid expenses	**40**	32,891
Accounts payable and accrued liabilities	**29,895**	52,053
Due to related parties	**(635,457)**	(26,346)
Employment benefit obligations	**(1,248)**	(29,601)
Cash Used In Operating Activities	**(1,083,582)**	(176,618)
Investing Activities		
Expenditures on mineral properties	**(469,573)**	(206,826)
Purchase of short-term investment	**(1,000,000)**	-
Purchase of property and equipment	**-**	(1,188)
Proceeds on sale of mineral property	**2,845,254**	380,150
Cash Provided By Investing Activities	**1,375,681**	172,136
Increase (decrease) In Cash	**292,099**	(4,482)
Cash, Beginning Of Year	**63,641**	68,123
Cash, End Of Year	**$ 355,740**	$ 63,641
Supplementary Cash Flow Disclosure And Non-Cash Investing And Financing Activities:		
Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -
Shares issued for mineral property	**$ 19,000**	$ -

1. NATURE OF OPERATIONS AND GOING CONCERN

Golden Goliath Resources Ltd. (the "Company") was incorporated on June 12, 1996 under the Business Corporations Act of British Columbia, Canada. The Company is a public company listed on the TSX Venture Exchange (the "TSX.V"), trading under the symbol "GNG". The address of the Company's corporate office and principal place of business is Suite 711, 675 West Hastings Street, Vancouver, British Columbia, Canada. The Company's principal business activity is the acquisition and exploration of resource properties.

The Company is in the exploration stage and is in the process of evaluating its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Management's plan in this regard is to secure additional funds through future equity financings, which either may not be available or may not be available on reasonable terms.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the financial statements. The Company has incurred operating losses since inception, has no source of operating cash flow, minimal income from short-term investments, continues to rely on the cooperation of its related parties, and there can be no assurances that sufficient funding, including adequate financing, will be available to complete the exploration of its mineral properties and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions and mineral property exploration success. These factors cast substantial doubt on the Company's ability to continue as a going concern. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the financial statements.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. These consolidated financial statements have also been prepared using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

2. BASIS OF PRESENTATION (Continued)

c) Foreign Currencies

The Company's reporting currency and functional currency is the Canadian dollar. The functional currency of the Mexican subsidiary is the Canadian dollar. Transactions in United States ("US") and Mexican ("MXN") foreign currencies have been translated into Canadian dollars as follows:

- Monetary items at the rate prevailing at the statement of financial position date;
- Non-monetary items are measured at historical cost at the exchange rate in effect at the date of the transaction;
- Revenues and expenses are translated at the exchange rate in effect at the date of the transaction; and
- Gains or losses arising on foreign currency translation are included in the consolidated statements of operations and comprehensive loss.

d) Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The preparation of financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

<u>Critical Accounting Estimates</u>

Impairment

Assets, especially exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant of shares. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of a share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 9.

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Critical Judgments Used in Applying Accounting Policies

Determination of going concern assumption

The preparation of these consolidated financial statements requires management to make judgments regarding the applicability of going concern assumption to the Company as discussed in Note 1.

Determination of Cash Generating Units

In performing impairment assessments, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management is required to exercise judgment in identifying these cash generating units.

Determination of functional currency

The functional currency for the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

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.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation 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 the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period the new information becomes available.

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 there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. 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.

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Decommissioning liabilities

Judgment is required to determine if there are legal or constructive obligations to incur restoration, rehabilitation and environmental costs when there is an environmental disturbance caused by exploration, development or ongoing production of an exploration and evaluation asset. When it is determined that an obligation exists, a provision is recognized. The provision for decommissioning liabilities depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below for the year ended August 31, 2019 have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Delta S.A. de C.V. of Mexico, and 4247 Investments Ltd. (inactive) of British Columbia, Canada. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtained control, and will continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Significant inter-company balances and transactions have been eliminated on consolidation.

b) Financial Instruments and Risk Management

The Company adopted IFRS 9 in its consolidated financial statements on September 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on September 1, 2018. The impact on the classification and measurement of its financial instruments is set out below:

Financial Instrument	**Original classification – IAS 39**	**New Classification – IFRS 9**
Cash	FVTPL	FVTPL
Short term investments	FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Value-added taxes recoverable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

<u>Financial assets</u>

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income (“FVTOCI”) or measured at fair value through profit or loss (“FVTPL”).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial Instruments and Risk Management (Continued)

(b) Classification of financial assets (Continued)

(i) Financial assets measured at amortized cost

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 such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give 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. Short-term investments, accounts receivable, due from related parties and value-added taxes recoverable are classified as amortized cost.

(ii) Financial assets measured at 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. Cash is classified as FVTPL.

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs 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.

(c) Derecognition of financial assets

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 the statement of comprehensive loss.

However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial Instruments and Risk Management (Continued)

(b) Classification of financial liabilities

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's trades and other payables are classified as financial liabilities measured at amortized cost.

Risk Management

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Credit risk and liquidity risk on amounts due to creditors are significant to the Company's statement of financial position. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal prices and the prices of gold and silver in particular. To mitigate this market risk, management of the Company actively pursues a diversification strategy with property holdings focusing on precious metals as well as base metals.

d) Cash

Cash includes cash on hand, cash held in trust and demand deposits.

e) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activities. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Exploration and Evaluation Assets (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

As the Company currently has no operational income, any incidental revenues, including option payments, earned in connection with exploration stage activities are applied as a reduction to capitalized exploration costs with any excess accounted for as a gain on disposal.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. If it is determined that exploration and evaluation assets are not recoverable, the property is abandoned; or if management has determined an impairment in value, the property is written down to its estimated recoverable amount.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

f) Property and Equipment

IFRS requires that assets be disaggregated into individual components for amortization purposes and revaluation of property, plant and equipment to fair value is also permitted. The Company currently tracks individual assets with distinct useful lives and depreciates them separately. The Company elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

Equipment and vehicles are recorded at cost and amortized on a straight-line basis over their estimated useful lives at the following rates:

Equipment	10% - 30%
Vehicles	25%

g) Employee Future Benefits

The Company is subject to Mexican statutory laws and regulations governing employee termination benefits and accrues for employee future benefits based on management's estimates of the expected payments.

These benefits consist of a one-time payment equivalent to 12 days of wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees.

Under Mexican Labour Law, the Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days of wages for each year of service payable upon involuntary termination without just cause.

Employee future benefits are unfunded.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amounts 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.

The impairment test is generally carried out on the asset's cash-generating units (CGU's), 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. The Company has determined that each exploration and evaluation property is its own CGU as it is expected they will have separately definable cash inflows. At a later stage, if cash inflows change, the Company may group individual properties into one CGU. In fiscal year 2016 the Company grouped all properties in the Fresnillo agreement (Note 7) into one CGU.

Where an indicator of impairment exists, an estimate of the recoverable amount is made. Determining the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Changes in circumstances may affect these estimates and the recoverable amount.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized in other comprehensive income or loss.

i) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

j) Share Capital

<u>Non-monetary consideration</u>

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method.

<u>Share-based compensation</u>

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Share Capital (Continued)

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based compensation is measured at the fair value of goods or services received.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

k) Earnings (Loss) Per Share

Earnings (loss) per share are calculated based on the weighted average number of shares outstanding. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and other similar instruments. Under this method, the dilutive effect on earnings per share is calculated to reflect the use of the proceeds that could be obtained upon the exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic and diluted losses per share are equal as the assumed conversion of outstanding options and warrants would be anti-dilutive.

l) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset

to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

m) Decommissioning Liabilities

(Expressed in Canadian Dollars)

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of operations over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Decommissioning Liabilities (Continued)

of discounting unwinds, creating an expense recognized in the statement of operations. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation and environmental costs as any disturbance to date is minimal.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has review new and revised accounting pronouncements that have been issued but not yet effective. The Company has not yet adopted any of these standards and is currently evaluating the impact, if any, that these pronouncements may have on its financial statements.

Leases

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019.

5. SHORT-TERM INVESTMENTS

As at August 31, 2019, the Company’s short–term investment of $1,000,000 (August 31, 2018 - $nil) was comprised of Canadian investments in guaranteed investment certificates maturing on January 22, 2020 at an effective interest rate of 2.2% (August 31, 2018 – nil).

6. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2019	2018
Sales taxes recoverable	**$ 67,842**	$ 9,816
Other receivable	**1,411**	1,615
	$ 69,253	$ 11,431

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

Detailed exploration and evaluation expenditures incurred in respect to the Company's mineral property interests owned, leased or held under option are disclosed in Note 16. Property payments made on the Company's mineral property interests are included in the property descriptions below. Acquisition costs paid through August 31, 2019 and 2018 are as follows:

		2019		2018
San Timoteo, Oro Leon, Nueva Union, La Reforma	**$**	**23,086**	$	69,257
Los Hilos, Las Bolas, El Manto, Don Lazaro, La Verde		**-**		187,123
Nopalera, Flor de Trigo		**-**		78,393
KWAI		**17,500**		-
SLF		**17,500**		-
Wish Ore		**30,000**		-
Total acquisition costs		**88,086**		334,773
Exploration and evaluation expenditures (Note 16)		**534,317**		2,241,997
Total exploration and evaluation assets	**$**	**622,403**	$	2,576,770

Uruachic Mining Camp

During the year ended August 31, 2019, El Aguila exercised their assignment option to gain a 100% interest in the Company's properties in the Uruachic mining camp (subject to a 1% net smelter royalty half of which may be purchased for US$500,000) in the La Reforma, Nueva Union, Oteros, Las Bolas, Nopalera, La Barranca and Corona. The final payment, as stated in the definitive agreement, of $3,064,133 (US$2,300,000) was received. The Company received US$3,000,000 over the last 3 years and all mining rights (property taxes) and conducting all assessment work required to keep the property in good standing. The value of the properties acquired by El Aguila and recorded in exploration and evaluation assets was $2,427,928 as at August 31, 2019.

The Company and Comstock Metals Ltd. ("Comstock") had previously entered into an option agreement whereby Comstock had earned a 50% undivided interest in the Corona property. On May 18, 2016 the Company, Comstock and El Aguila signed an agreement whereby the Company is obligated to pay 50% of one seventh of certain option payments received from El Aguila to Comstock in order to transfer Comstock's 50% undivided interest to El Aguila. During the year ended August 31, 2019, the Company paid $218,878 (US$164,286) to Comstock in accordance with the agreement. Total payments of US$200,000 were made in accordance with specific instalment payments made by El Aguila to the Company.

The Company has an undivided 100% interest in its principal property in the District, San Timoteo, where work has been focused for the last several years. In the event that the Company's plans change, El Aguilla has been granted a right of first refusal over this property.

During the year ended August 31, 2019, $15,013 (August 31, 2018 - $3,593) in deferred expenditures related to certain mineral claims were written down. These write-downs were mainly related to the Company's Corona/Las Trojas Property. The Company will continue to hold the claims, but they are not viewed as priorities. Management does not currently intend to conduct any exploration activities on these non-core claims during the year.

KWAI Property

(Expressed in Canadian Dollars)

During the year ended August 31, 2019, the Company signed an option agreement to acquire a 100% interest in the KWAI property in the Red Lake District of Ontario. The Company issued 200,000 common shares and made cash payment of $10,500. Per the terms of the agreement, the company will be required to issue 200,000 additional common shares and make additional cash payments totalling $58,000 over a four-year period from the date of the agreement. The acquisition is subject to a 1.5% net smelter return, of which the Company has an option to repurchase 0.75% for $500,000.

7. EXPLORATION AND EVALUATION ASSETS (Continued)

SLF Property

During the year ended August 31, 2019, the Company signed an option agreement to acquire a 100% interest in the SLF property in the Red Lake District of Ontario. The Company issued 200,000 common shares and made cash payment of $10,500. Per the terms of the agreement, the company will be required to issue 200,000 additional common shares and make additional cash payments totalling $58,000 over a four-year period from the date of the agreement. The acquisition is subject to a 1.5% net smelter return, of which the Company has an option to repurchase 0.75% for $500,000.

Wish Ore Property

During the year ended August 31, 2019, the Company signed an option agreement to acquire a 100% interest in the Wish Ore property in townships of Wishat and Palmer, Ontario. The Company issued 200,000 common shares and made cash payment of $25,000. Per the terms of the agreement, the company is required to conduct a minimum of $75,000 in exploration of the property during the first year of the option (completed) and will be required to issue 300,000 additional common shares and make additional cash payments totalling $50,000 over a two-year period from the date of the agreement. The acquisition is subject to a 1.5% net smelter return, of which the Company has an option to repurchase 0.75% for $500,000.

8. PROPERTY AND EQUIPMENT

	EQUIPMENT	LAND	TOTAL
COST			
Balance August 31, 2017	$ 157,324	$ 18,917	$ 190,012
Additions	**1,188**	**-**	**1,188**
Balance August 31, 2018 and 2019	**$ 158,512**	**$ 18,917**	**$ 191,200**
ACCUMULATED AMORTIZATION			
Balance August 31, 2017	$ 153,369	$ **-**	$ 167,140
Amortization	3,195	**-**	3,195
Balance August 31, 2018	$ 156,564	$ -	$ 170,335
Amortization	1,213	**-**	1,213
Balance August 31, 2019	**$ 157,777**	**$ -**	**$ 171,548**
CARRYING AMOUNTS			
As at August 31, 2018	$ 1,948	$ 18,917	$ 20,865
As at August 31, 2019	**$ 735**	**$ 18,917**	**$ 19,652**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Authorized

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

Issued and Fully Paid

As at August 31, 2019, the Company had 107,260,889 (2018 – 106,660,889) common shares issued and fully paid.

Warrants

As at August 31, 2019 and 2018, there are no outstanding share purchase warrants.

Stock Options

The Company has a 10% rolling stock option plan for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined with reference to the fair market value of the shares at the date of grant. The Company's stock option plan provides for immediate vesting or vesting at the discretion of the Board at the time of the option grant. Options and are exercisable for a period of up to 5 years. Stock options granted to investor relations' consultants vest over a twelve-month period, with one quarter of such options vesting in each three-month period.

During the year ended August 31, 2016 the company granted 3,400,000 stock options to consultants and Directors of the Company at an exercise price of $0.085 per share, expiring on July 11, 2021. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk-free interest rate of 1.16%, volatility factor of 125.90% and an expected life of five years.

On March 5, 2018 the company granted 2,550,000 stock options to consultants and Directors of the Company at an exercise price of $0.10 per share, expiring on March 4, 2023. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk-free interest rate of 1.14%, volatility factor of 129.24% and an expected life of five years.

On May 1, 2019 the company granted 200,000 stock options to consultants of the Company at an exercise price of $0.10 per share, expiring on April 30, 2022. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk-free interest rate of 1.48%, volatility factor of 102.97% and an expected life of three years.

A summary of changes in stock options is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, August 31, 2017	3,400,000	$ 0.085
Granted	2,550,000	0.100
Balance. August 31, 2018	5,950,000	0.091

(Expressed in Canadian Dollars)

Cancelled	(400,000)		0.094
Granted	200,000		0.100
Balance, August 31, 2018	**5,750,000**	**$**	**0.092**

The weighted average remaining contractual life of the options outstanding at August 31, 2019 was 2.55 years (2018 –3.57 years).

Nature and Purpose of Reserves

The reserves recorded in equity on the Company's statements of financial position is comprised of "Share-based Payments Reserve" and is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

9. LOSS PER SHARE

The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each period and the diluted loss per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. As of August 31, 2019, the Company had a total of 5,750,000 (2018 – 5,950,000) stock options outstanding. As of August 31, 2019, the Company also had a total of Nil (2018 – nil) warrants outstanding. Dilutive options and warrants were not included in the Company's loss per common share calculation because the result was anti-dilutive.

10. SEGMENTED INFORMATION

The Company has one operating segment, which is mineral exploration. All mineral properties are located in Mexico. All mineral option proceeds are attributable to the Mexican mineral properties. Net loss and assets by geographic segment, at cost, are as follows:

		CANADA		MEXICO		TOTAL
August 31, 2019						
Current assets	**$**	**1,404,306**	**$**	**36,375**	**$**	**1,440,681**
Property and equipment	**$**	**653**	**$**	**18,999**	**$**	**19,652**
Exploration and evaluation assets	**$**	**410,342**	**$**	**212,061**	**$**	**622,403**
Accounts receivable and VAT recoverable	**$**	**67,842**	**$**	**4,216**	**$**	**72,058**
Total assets	**$**	**1,834,300**	**$**	**251,241**	**$**	**2,085,541**
Accounts payable and due to related parties	**$**	**125,978**	**$**	**7,323**	**$**	**133,301**
Employment benefit obligations	**$**	**-**	**$**	**43,310**	**$**	**43,310**
Interest income	**$**	**13,320**	**$**	**2**	**$**	**13,322**
Net Income (loss) for the year	**$**	**(417,166)**	**$**	**408,358**	**$**	**(8,808)**
August 31, 2018						
Current assets	$	55,469	$	25,921	$	81,390
Property and equipment	$	1,029	$	19,836	$	20,865
Exploration and evaluation assets	$	-	$	2,576,770	$	2,576,770
Accounts receivable and VAT recoverable	$	13,727	$	2,354	$	16,081
Total assets	$	76,334	$	2,603,430	$	2,679,764
Accounts payable and due to related parties	$	730,939	$	7,923	$	738,862
Employment benefit obligations	$	-	$	44,558	$	44,558
Net Income (loss) for the year	$	(414,109)	$	(24,535)	$	(438,644)

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS

As at August 31, 2019 and 2018, the carrying value of the Company's financial instruments approximates their fair value. Cash is recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximates fair value due to their short term nature. The Company's financial instruments are classified into the following categories:

		AUGUST 31			
		2019		2018	
	LEVEL	**CARRYING VALUE**	**FAIR VALUE**	CARRYING VALUE	FAIR VALUE
Fair value through profit or loss					
Cash	1	**$ 355,740**	**$ 355,740**	$ 63,641	$ 63,641
Amortized Cost					
Short term investment	2	**$ 1,013,321**	**$ 1,013,321**	$ -	$ -
Accounts receivable	2	**$ 69,253**	**$ 69,253**	$ 11,431	$ 11,431
Due from related parties	2	**$ -**	**$ -**	$ 3,911	$ 3,911
Accounts payable and accrued liabilities	2	**$ 96,801**	**$ 96,801**	$ 66,906	$ 66,906
Due to related parties	2	**$ 36,500**	**$ 36,500**	$ 671,957	$ 671,957

There have been no transfers between levels 1 and 2, or transfers in or out of level 3 for the years ended August 31, 2019 and 2018.

Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The types of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation and cause the other party to incur a financial loss. The Company's credit risk to its financial assets are summarized below:

	AUGUST 31, 2019	AUGUST 31, 2018
Cash	**$ 355,740**	$ 63,641
Short term investments	**$ 1,013,321**	$ -
Accounts receivable	**$ 69,253**	$ 11,431
Due from related parties	**$ -**	$ 3,911

The credit risk of accounts receivable securities is assessed as low. The carrying amount of these financial assets is their maximum exposure to credit risk. The Company does not invest in asset–backed commercial papers.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash.

As of August 31, 2019, the Company has sufficient cash and highly liquid investments on hand to meet current liabilities and its expected administrative requirements for the coming year. The Company has cash of $355,740 (2018 - $63,641) and short-term investments of $1,013,321 (2018 - $Nil) and total liabilities of $176,611 (2018 - $783,421). Accounts payable and accrued liabilities and due to related parties of $113,301 (2018 - $736,863) are due within three months. Management has assessed liquidity risk as low.

11. FINANCIAL INSTRUMENTS (Continued)

Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, and commodity price risk.

Foreign Currency Risk

The Company has operations in Canada and Mexico subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars and Mexican pesos, and the fluctuation of the Canadian dollar in relation to this other currency will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Financial assets and liabilities denominated in Mexican Pesos and U.S. dollars were as follows:

	AUGUST 31, 2019	AUGUST 31, 2018
U.S. Dollars		
Financial liabilities	**$ 4,000**	$ 4,000
Mexican Pesos		
Financial assets	**$ 528,259**	$ 359,550
Financial liabilities	**$ 140,679**	$ 145,545

Based on the above net exposures as at August 31, 2019, and assuming that all other variables remain constant, a 10% change in the value of the Mexican peso against the Canadian dollar would result in an increase/decrease of approximately $2,800 (2018 - $1,500) in loss from operations. Based on the above net exposures as at August 31, 2019, and assuming that all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of approximately $400 (2018 - $400) in loss from operations.

Interest Rate Risk

As at August 31, 2019 the Company has no significant exposure to interest rate risk through its financial instruments.

Other Risks

Part of the Company's operations are in northern Mexico and are subject to various levels of political, economic and other risks and uncertainties unique to Mexico. These risks and uncertainties may include: extreme fluctuations in currency exchange rates; high rates of inflation; labor unrest; risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; corruption; restrictions on foreign exchange and repatriation; hostage taking; and changing political conditions and currency controls. In addition, the Company may have to comply with multiple and potentially conflicting regulations in Canada and Mexico, including export requirements, taxes, tariffs, import duties and other trade barriers, as well as health, safety and environmental requirements. Changes, if any, in mining or investment policies or shifts in political attitude in Mexico may adversely affect the Company's operations. Operations may be affected in varying degrees by government regulations with respect to matters including restrictions on production, price controls, export controls, currency controls or restrictions, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

(Expressed in Canadian Dollars)

12. CAPITAL DISCLOSURES

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The directors determine the Company's capital structure and make adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The directors have not established quantitative return on capital criteria for capital management.

The Company is dependent upon external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential and provided it has adequate financial resources to do so.

The directors review the Company's capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. (Note 1)

The Company considers the items included on the statement of financial position in 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. There were no changes to the Company's approach to capital management during the year. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

13. RELATED PARTY BALANCES AND TRANSACTIONS

Key Management Compensation

	2019	2018
Management fees	**$ 120,000**	$ 120,000
Consulting fees	**178,811**	96,000
Total	**$ 298,811**	$ 216,000

Payments to key management personnel including the President, Chief Financial Officer, directors and companies directly controlled by key management personnel, and a former director, are directly related to their position in the organization.

Other Related Party Transactions

The Company entered into the following transactions and had the following balances payable with related parties. Balances outstanding are non-interest bearing, unsecured and had no specific terms for collection or repayment.

a) Due from related parties consists of $Nil (2018 - $3,911) due from companies controlled by common directors.

b) Due to related parties consists of $36,500 (2018 - $699,957) due to directors and company controlled by common director.

(Expressed in Canadian Dollars)

14. INCOME TAXES

The Company is subject to income taxes on its non-consolidated financial statements in Canada and Mexico. The consolidated provision for income taxes varies from the amount that would be computed from applying the combined statutory income tax rates to net loss before taxes were approximately as follows:

	2019	2018
Combined statutory tax rate	**27%**	27%
Expected income tax expense (recovery)	**$ (2,000)**	$ (116,000)
Non-deductible differences and other	**130,000**	148,000
Change in tax assets not recognized	**(128,000)**	(32,000)
Income tax provision	**$ -**	$ -

The significant components of the Company's deferred income tax assets were approximately as follows:

	2019	2018
Property and equipment and other	**$ 18,000**	$ 17,000
Exploration and evaluation assets	**560,000**	555,000
Losses available for future periods	**2,803,000**	2,935,000
Capital losses	**10,000**	10,000
Tax assets not recognized	**(3,391,000)**	(3,517,000)
Net deferred income tax assets	**$ -**	$ -

The Company has Canadian and Mexican non-capital losses of approximately $10,112,000 which may be carried forward and applied against taxable income in future years. The Canadian and Mexican tax losses expire between August 31, 2026 and 2039, and December 31, 2020 and 2029 respectively as follows:

CANADA		**MEXICO**	
2026	$ 404,000	2020	$ 368,000
2027	536,000	2021	1,252,000
2028	530,000	2022	-
2029	515,000	2023	438,000
2030	666,000	2024	267,000
2031	610,000	2025	82,000
2032	1,473,000	2026	60,000
2033	578,000	2027	10,000
2034	454,000	2028	24,000
2035	398,000	2029	-
2036	362,000		
2037	338,000		
2038	334,000		
2039	413,000		
	$ 7,611,000		$ 2,501,000

15. SUBSEQUENT EVENTS

Subsequent to year end the company granted 3,600,000 stock options to consultants and directors of the Company at an exercise price of $0.10 per share, expiring on September 9, 2024.

(Expressed in Canadian Dollars)

16. EXPLORATION AND EVALUATION EXPENDITURES

	KWAI	SLF	Wish Ore	San Timoteo Oro Leon Nueva Union La Reforma	Oteros La Esperanza La Hermosa	Bufalo La Barranca	Los Hilos Las Bolas El Manto Don Lazaro La Verde	Nopalera Flor de Trigo	Corona Beck El Chamizal El Canario La Cruz	Las Trojas La Gloria Todos los Santos Los Cantiles	Total
Balance, August 31, 2017	$ --	$ --	$ --	$ 73,514	$ --	$ --	$ 1,611,208	$ 734,192	$ --	$ --	$ 2,418,914
Incurred during the year											
Geology and mapping	--	--	--	2,161	--	--	--	--	--	--	2,161
Property taxes and passage rights	--	--	--	25,724	11,315	53,349	11,886	27,756	30,236	2,746	163,012
Salaries	--	--	--	137	--	--	--	--	--	--	137
Road and construction site	--	--	--	4,700	--	--	--	--	--	--	4,700
Facilities and other	--	--	--	36,593	--	--	--	--	223	-	36,816
Option payment received	--	--	--	(16,421)	(11,315)	(53,349)	(169,758)	(99,695)	(28,552)	(1,060)	(380,150)
Write down	--	--	--	--	--	--	--	--	(1,907)	(1,686)	(3,593)
Balance, August 31, 2018	--	--	--	126,408	--	--	1,453,336	662,253	--	--	2,241,997
Incurred during the year											
Assaying	923	923	923	--	--	--	--	--	560	--	3,329
Geology and mapping	44,815	119,455	126,755	8,548	--	--	--	--	--	--	299,573
Property taxes and passage rights	--	--	3,250	8,793	--	9,607	--	--	3,046	1,800	26,496
Travel	6,063	7,574	30,489		--	--	--	--	490	--	44,616
Road and construction site	--	--	--	4,574	--	--	--	--	--	--	4,574
Salaries	1,786	1,107	142	--	--	--	--	--	--	--	3,035
Facilities and other	--	--	1,137	40,652	--	--	--	--	161	--	41,950
Option payment received	--	--	--	--	--	--	(1,453,336)	(662,253)	(651)	--	(2,116,240)
Write down	--	--	--	--	--	(9,607)	--	--	(3,606)	(1,800)	(15,013)
Balance, August 31, 2018	**$ 53,587**	**$ 129,059**	**$ 162,696**	**$ 188,975**	**$ --**	**$ --**	**$ --**	**$ --**	**$ --**	**$ --**	**$ 534,317**