Sulliden Mining Capital Inc.

(An Exploration Stage Mining Company)

ANNUAL
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended

July 31, 2019 and 2018

(expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Sulliden Mining Capital Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sulliden Mining Capital Inc. and its subsidiaries (together, the Company) as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at July 31, 2019 and 2018;
- the consolidated statements of operations and other comprehensive (loss)/ income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

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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 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.

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 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.

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 Marelize Barber.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 17, 2019

SULLIDEN MINING CAPITAL INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at	Notes		July 31, 2019		July 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		$	77,749	$	428,968
Investments, at fair market value through profit and loss	5		12,213,432		12,371,859
Loans receivable	6		558,472		368,987
Amounts receivable and other			109,440		90,377
Prepaid expenses			211,676		164,160
Total current assets			13,170,769		13,424,351
Non-current assets					
Investment in associates	7		-		22,007,089
Exploration and evaluation assets	8		225,770		141,423
TOTAL ASSETS		$	13,396,539	$	35,572,863
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	564,787	$	1,098,418
Total current liabilities			564,787		1,098,418
SHAREHOLDERS' EQUITY					
Share capital	9		27,362,833		27,362,833
Share purchase warrant reserve	10		468,081		783,195
Share-based payment reserve	11		928,993		1,083,000
Accumulated other comprehensive loss			(7,547)		(3,401)
Retained (loss) profit			(15,920,608)		5,248,818
Total shareholders' equity			12,831,752		34,474,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	13,396,539	$	35,572,863

Commitments and contingencies (Note 17)
Subsequent events (Note 19)

Approved by the Board of Directors:

Signed “Pierre Pettigrew”, Director

Signed “Stan Bharti”, Director

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

SULLIDEN MINING CAPITAL INC.

Consolidated Statements of Operations and Comprehensive (Loss)/Income

(Expressed in Canadian dollars)

	Note	For the year ended July 31, 2019	2018
Expenses			
Share-based payments	11	$ 43,054	$ 915,144
Professional, consulting and management fees	12	1,204,346	3,767,627
General and administrative expenses	13	569,166	633,238
		1,816,566	5,316,009
Other (income)/expenses			
Interest income		(25,225)	(40,770)
Foreign exchange loss		6,933	121,332
Loss from investment in associate	7	1,833,100	1,926,912
Realized loss (gain) on sale of investments	5	11,027,102	(442,455)
Unrealized loss on investments	5	7,168,294	3,415,238
Gain on disposition of Troilus project	8	-	(23,614,336)
Net (loss)/income for the year		$ (21,826,770)	$ 13,318,070
Other comprehensive (loss)/income:			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation		(4,146)	128,398
Net comprehensive (loss)/income for the year		$ (21,830,916)	$ 13,446,468
Net (loss)/income per share			
Basic		$ (0.53)	$ 0.32
Diluted		$ (0.53)	$ 0.32
Weighted average common shares outstanding			
Basic		41,462,851	41,462,851
Diluted		41,462,851	41,802,742

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

SULLIDEN MINING CAPITAL INC.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Note	For the year ended July 31, 2019	2018
CASH FLOWS FROM:			
Operating activities			
Net (loss)/income for the year		$ (21,826,770)	$ 13,318,070
Items not involving cash			
Share-based payments	11	43,054	915,144
Loss from investment in associate	7	1,833,100	1,926,912
Realized loss (gain) on sale of investments	5	11,027,102	(442,455)
Unrealized loss on investment	5	7,168,294	3,415,238
Gain on disposition of Troilus project	8	-	(23,614,336)
Gain on disposition of assets held for sale		(328,350)	-
Interest and arrangement fees earned	6	(24,922)	(40,690)
Foreign exchange loss		7,253	149,119
		(2,101,239)	(4,372,998)
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		(66,579)	(86,375)
Accounts payable and accrued liabilities		(388,832)	(493,619)
		(455,411)	(579,994)
Cash flows used in operating activities		(2,556,650)	(4,952,992)
Financing activities			
Payment for restricted share units		-	(228,986)
Cash flows from financing activities		-	(228,986)
Investing activities			
Purchase of investments		(5,938,166)	(3,900,694)
Proceeds from sale of investments	5, 7	8,777,155	8,658,806
Loans issued	6	(662,788)	-
Loans repayment	6	112,651	-
Interest and arrangement fees received	6	556	-
Expenditures on exploration and evaluation assets	8	(84,347)	(166,348)
Change in exploration and evaluation payables		370	(3,993)
Cash flows from investing activities		2,205,431	4,587,771
Net change in cash		(351,219)	(594,207)
Cash, beginning of the year		428,968	1,023,175
Cash, end of the year		$ 77,749	$ 428,968

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

SULLIDEN MINING CAPITAL INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Number of Shares		Share Capital		Share purchase warrant reserve		Share-based payment reserve		Accumulated other comprehensive (loss)/income		Deficit		Total Shareholders' equity
Balance as at July 31, 2018		41,462,851	$	27,362,833	$	783,195	$	1,083,000	$	(3,401)	$	5,248,818	$	34,474,445
Share-based compensation	11	-		-		-		188,223		-		-		188,223
Option expiry	11	-		-		-		(342,230)		-		342,230		-
Warrant expiry	10	-		-		(315,114)		-		-		315,114		-
Other comprehensive loss		-		-		-		-		(4,146)		-		(4,146)
Net loss for the year		-		-		-		-		-		(21,826,770)		(21,826,770)
Balance as at July 31, 2019		**41,462,851**	**$**	**27,362,833**	**$**	**468,081**	**$**	**928,993**	**$**	**(7,547)**	**$**	**(15,920,608)**	**$**	**12,831,752**
Balance as at July 31, 2017		41,462,851	$	27,362,833	$	783,195	$	468,006	$	(131,799)	$	(8,069,252)	$	20,412,983
Share-based compensation		-		-		-		843,980		-		-		843,980
Purchase of restricted share units	11	-		-		-		(228,986)		-		-		(228,986)
Other comprehensive income - associate	7	-		-		-		-		128,398		-		128,398
Net income for the year		-		-		-		-		-		13,318,070		13,318,070
Balance as at July 31, 2018		**41,462,851**	**$**	**27,362,833**	**$**	**783,195**	**$**	**1,083,000**	**$**	**(3,401)**	**$**	**5,248,818**	**$**	**34,474,445**

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

1. NATURE OF OPERATIONS

Sulliden Mining Capital Inc. ("SMC" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on June 10, 2014 and was a wholly-owned subsidiary of Sulliden Gold Corporation Ltd. ("Sulliden"). Pursuant to an arrangement between Rio Alto Mining Limited and Sulliden, whereby Rio Alto acquired the shares of Sulliden, shareholders of Sulliden received 0.10 of a common share of the Company. The Company assumed Sulliden's interests in the East Sullivan property in Quebec and was capitalized with $24.76 million in cash.

The head office of the Company is located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5 and the registered office of the Company is located at the same address. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "SMC".

In May 2016, Sulliden Moçambique, Lda, was incorporated in Mozambique, and became a 100% owned subsidiary of the Company. There is currently no activity in this subsidiary. The registered office of this subsidiary is located at Rua Damião de Góis, Numero 371, Maputo Cidade, Moçambique.

In June 2016, a numbered company, 2507868 Ontario Inc. ("2507868"), was incorporated under the *Business Corporations Act* (Ontario) and became a 100% owned subsidiary of the Company. This subsidiary's registered office was located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5. Activity with respect to this subsidiary related to the Troilus project. On December 20, 2017, the Company sold its interest in 2507868 (see Note 8).

The Company owns a 98% interest in the issued and outstanding shares of Daos International Ltd. ("Daos"), a Mauritius company. See Note 4.

2. BASIS OF PRESENTATION

The audited consolidated financial statements of the Company have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the year ended July 31, 2019.

The accounting policies as set out below were consistently applied to all the periods presented unless otherwise noted.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on October 16, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of measurement

The annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss except for assets held for sale which is measured at fair value less cost of disposal. These annual financial statements are presented in Canadian Dollars, which is the Company's functional currency.

b) Principles of consolidation

All entities in which the Company has a controlling interest (Note 1) are fully consolidated from the date that control commences until the date that the control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortized cost. Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

d) Amounts receivable and other

Amounts receivable and other receivables are amounts that are due from others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as noncurrent assets and discounted accordingly. Accounts receivables are initially recognized at the amount expected to be received and subsequently measured at amortized cost using the effective interest method less any provision for impairment.

e) Financial instruments

The Company classifies its financial instruments in the following categories: amortized cost, fair value through profit and loss ("FVPL") and fair value through other comprehensive income ("FVOCI"). The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired. The Company's financial assets include cash and cash equivalents, investments, amounts receivable, and loans receivable. The Company's financial liabilities include accounts payable and accrued liabilities.

Non-derivative financial instruments are recognized initially at fair value plus attributable transaction costs, where applicable for financial instruments not classified as fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are classified and measured as described below:

Financial assets at fair value through profit or loss ("FVPL") – investments are classified as financial assets at fair value through profit or loss and are measured at fair value. Financial assets carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at the end of each reporting period. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of operations in the period in which they arise.

Amortized cost – Cash and cash equivalents, amounts receivable and loans receivable are classified as and measured at amortized cost using the effective interest rate method, less impairment losses, if any. Cash and cash equivalents comprise cash at banks and at hand with original maturity of three months or less and are readily convertible to specified amounts of cash.

Financial assets at fair value through other comprehensive income ("FVOCI") – Financial assets designated as financial assets at fair value through other comprehensive income on initial recognition are recorded at fair value on the trade date with directly attributable transaction costs included in the recorded amount. Subsequent changes in fair value are recognized in other comprehensive income. The Company does not have any financial assets measured at fair value through other comprehensive income.

Non-derivative financial liabilities – Trade payables and accrued liabilities are accounted for at amortized cost, using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial instruments (continued)

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the financial asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the counterparty's credit rating).

Derecognition of financial assets and liabilities

Financial assets are derecognized when the investments mature or are sold and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within interest and other income and finance costs, respectively.

f) Investments in associates

An associate is an entity over which the Company has significant influence, but not control, and is neither a subsidiary, nor an interest in a joint venture. Investments in which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income ("OCI"), and for accounting changes that relate to periods subsequent to the date of acquisition. Where there is objective evidence that the investment in associates is impaired, the amount of impairment, calculated as the difference between the recoverable amount of the associate and its carrying value, is deducted from the carrying value and recognized as a loss in the statements of operations.

g) Exploration and evaluation assets

Exploration and evaluation assets include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves. Costs incurred before the Company has obtained the legal right to explore an area are recognized in the statement of operations and comprehensive income (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Exploration and evaluation assets (continued)

Exploration and evaluation relating to the acquisition of, exploration for and development of mineral properties are capitalized and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; calculation and definition of mineral resource; test work on geology, metallurgy, mining, geotechnical and geophysical; and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Capitalized exploration and evaluation assets for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation assets are transferred to mine development costs. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves and/or a decision to commence construction of a mine; however, this determination may be impacted by management's assessment of certain modifying factors including: legal, environmental, social and governmental factors. All subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within mine development costs.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Indicators of impairment include, but are not limited to:

- the period for which the right to explore is less than one year;
- further exploration expenditures are not anticipated;
- a decision to discontinue activities in a specific area; and
- the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that mine development assets are not expected to be recovered, they are charged to operations.

h) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. They are measured at the lower of their carrying value amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the income statement. Once classified as held for sale, non-current assets are no longer amortized. Non-current assets and the assets of a disposal group classified as held for sale are presented separately from the other assets on the statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification. The liabilities of a disposal group classified as held for sale are presented separately from the other liabilities on the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Impairment of property and equipment and mine development assets

Property and equipment and mine development assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying value may not be recoverable. At each reporting date, the Company conducts an internal review of asset values which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future metals prices, trends in production costs, and other market factors are also monitored to assess for indicators of impairment. If any indications of impairment exist, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less costs to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount based on the Company's calculations, then an impairment charge is recorded to the statement of operations and the carrying amount of the asset on the statement of financial position is reduced to its recoverable amount.

Fair value less costs of disposal is determined as the amount that would be recovered from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. Fair value less costs of disposal is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating fair value less costs of disposal.

In considering for indicators of impairment and performing impairment calculations, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The estimates of future discounted cash flows are subject to risks and uncertainties, including proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted into proven and probable reserves, future metals prices, discount rates, estimated capital and operating costs and exchange rates.

A previously recognized impairment loss on property and equipment is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in impairment. This reversal is recognized in the statement of operations and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in prior years.

j) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note (note 11).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of operations and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Share-based payments (continued)

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service. For those options that expire after vesting, the recorded value is transferred to retained earnings (deficit).

<u>Restricted Share Units (“RSU”)</u>

RSUs are granted to officers and employees under the terms of the Company's RSU Incentive Plan. The Company recognizes compensation expense equal to the market value of the common shares of the Company at the date of grant based on the number of RSUs expected to vest, recognized over the term of the vesting period using the graded vesting method, with a corresponding credit to share-based payment reserve for equity settled RSUs. The RSUs vest in three equal tranches. Compensation expense is adjusted for subsequent changes in management’s estimate of the number of RSUs that are expected to vest. The effect of these changes is recognized in the period of change. A trustee acting on behalf of the RSU holders purchases shares of the Company from the open market to distribute to RSU holders as compensation. These shares are restricted and reserved in trust for issuances. Upon settlement of equity settled RSUs, any difference between the cost of the shares purchased on the open market and the amount of credited to share-based payment reserve remains in share-based payment reserve.

<u>Deferred Share Units (“DSUs”)</u>

DSUs are granted to the Company’s non-executive directors under the terms of the Company's DSU Incentive Plan. The initial fair value of the DSU compensation liability is calculated at the date of grant based on the Company's share price on grant date. Subsequently, at each reporting date and on settlement, the DSU compensation liability is remeasured, with any change in fair value recorded as compensation expense in the statement of loss and comprehensive loss in the period. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date. The DSUs are settled in cash. The DSUs vest based on the pro-rata number of days each independent director remains a director of the Company until term, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

k) Earnings/loss per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

l) Investment income

Investment income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Investment income is on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Foreign exchange translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year unless the monetary item forms part of the reporting entity's net investment in a foreign operation, in which case, exchange gains or losses are reflected in other comprehensive income.

n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the annual statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and future accounting pronouncements

Effective August 1, 2018, the Company adopted IFRS 9, Financial Instruments, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in the standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at August 1, 2018. There were no effects on opening balances at August 1, 2018 with respect to the adoption of these policies.

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended July 31, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

Here is the summary of significant changes in IFRS 9 compared to IAS 39 Financial Instruments: Recognition and Measurement (IAS 39):

<u>Classification and measurement of financial assets</u>
IFRS 9 specifies three (3) main classification categories for financial assets: measured at amortised cost; FVOCI and FVPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Management reviewed and assessed the Company's existing financial assets as at August 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- Financial assets classified as Loans and Receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9;
- Investment in equity instruments that were measured at FVPL continue to be measured at FVPL under IFRS 9 with all realized and unrealized gains and losses recognized in profit or loss.

<u>Impairment of Financial Assets</u>
IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the carrying amounts of the Company's financial assets on the transition date given the Company transacts mainly with organizations with no historical level of default.

During the year ended July 31, 2019, the Company also adopted IFRS 15, IFRIC 22 and amendments to IFRS 2 issued by the IASB or IFRIC that were effective as of January 1, 2018. The adoption of these standards and amendments did not have a material impact on the Company's financial statements.

Standards issued but not effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 16, *Leases* ('IFRS 16") replaces IAS 17, *Leases* ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is evaluating the impact of the adoption of IFRS 16 and at this time the Company does not anticipate a material impact to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in these financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Valuation of exploration and evaluation assets - The Company carries its mineral properties at cost less any impairment losses. The Company capitalizes exploration and evaluation costs, which are related to specific projects, until the commercial feasibility of the project is determinable, or the project is determined to be impaired. Costs are charged to operations when a property is abandoned or when impairment in value has been determined. The Company reviews the carrying values of mining properties and related expenditures whenever indicators of impairment exist or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates which are subject to various risks and uncertainties. Estimates may include, but are not limited to estimates of future metal prices, capital and operating costs, the quantities of mineral reserves to be mined and expected recoveries of minerals contained in ore, the ability to convert resources into economically mineable reserves, discount rates and; in the case of fair value less costs of disposal, the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs of disposal the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and exploration and evaluation assets.

- Income taxes and recoverability of potential deferred tax assets - In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning 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. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments - Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Assets and disposal groups held for sale -- As security for default on a loan with APIO Africa Ltd ("APIO"), in June 2016, the Company received 8,169 shares of APIO's subsidiary, Daos, a Mauritius company. As a result, the Company owned an 82% interest in Daos. The Company appointed three members to the board of Daos in June 2016 and controls the board of Daos. In October 2016, Daos issued additional shares to the Company in compensation for costs incurred by the Company related to Daos and the APIO loan. As at July 31, 2019, the Company owns 98% of the issued and outstanding shares of Daos. The Company has been in the process of selling the assets of Daos in order to recoup the defaulted loan. During the year ended July 31, 2018, Daos entered into an agreement to sell its 75% interest in a Mozambique company in exchange for common shares of Global Gaming Technologies Corp. (formerly Global Blockchain Technologies Corp.) (the "Bloc shares"). The sale was completed during the year ended July 31, 2019 and the Bloc shares were sold for gross proceeds of $66,730. The Company has also concluded that there is no constructive obligation on the part of the Company with respect to the Daos liabilities. Estimates are made, assumptions are used and management judgement is exercised in this assessment. These are subject to various risks and uncertainties which may ultimately have an effect on the expected recovery of these assets.

- Determination of Significant Influence of Investment in Associates **-** As at July 31, 2019, the Company has classified its investment in Troilus as a financial asset based on management's judgment that the Company has does not have significant influence through its ownership of 12.5% of the voting rights and one common director. See Note 7(a).

5. INVESTMENTS

As at July 31, 2019, the Company carried investments in certain public resource and other sector companies. These securities are classified as fair value through profit or loss ("FVTPL"). As at July 31, 2019, these securities have an estimated fair value of $12,213,432 (July 31, 2018: $12,371,859) (see Note 15).

(Expressed in Canadian dollars unless otherwise noted)

5. INVESTMENTS (continued)

Public Issuer	Note	Security description		Cost		Estimated Fair value
Current assets						
Aberdeen International Inc.*	i.	4,790,000 warrants		221,436		1,437
African Gold Group		1,081,481 common shares		444,106		248,741
	ii.	1,481,481 warrants		391,635		44,444
Aguia Resources Ltd. (Note 7(b))		375,000 common shares		97,603		50,625
	iii.	1,071,429 warrants		84,919		16,393
Black Iron Inc.		4,773,371 common shares		477,770		548,938
Blue Sky Energy Inc.		955,000 common shares		911,770		477,500
EarthRenew Inc.		5,545,455 common shares		1,667,200		166,364
Emerita Resources Corp.		1,459,500 common shares		503,920		124,058
	iv.	250,000 warrants		52,839		35
Euro Sun Mining Inc.*		30,825 common shares		26,213		11,714
Fura Gems Inc.		9,328,000 common shares		3,210,803		1,679,040
Halo Labs Inc.		518,772 common shares		88,191		215,290
	v.	1,556,316 warrants		108,942		116,412
Magnolia Columbia Ltd.		4,000,000 common shares		465,550		480,000
Q-Gold Resources Ltd.		2,500,000 common shares		163,043		662,500
	vi.	2,500,000 warrants		86,957		338,500
QMX Gold Corporation		4,867,000 common shares		544,216		365,025
	vii.	577,000 warrants		86,325		58
QuestCap Inc. (formerly Copper One Inc.)*		846,154 common shares		56,571		122,692
Troilus Gold Corporation (Note 7(a))		7,575,000 common shares		4,923,750		6,211,500
Others				708,883		332,166
			$	15,322,642	$	12,213,432

* Investments in related party entities – see Note 16.

i. As at July 31, 2019, the Company holds 4,790,000 warrants of Aberdeen International Inc. with each warrant entitling the Company to acquire one common share at a price of $0.30 until November 24, 2019. The warrants were revalued at July 31, 2019 at an estimated value of $1,437 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 131.9%; risk-free interest rate of 1.65% and an expected average life of 0.3 years.

ii. As at July 31, 2019, the Company holds 1,481,481 warrants (after a share consolidation of 7.5:1 on April 17, 2019) of African Gold Group with each warrant entitling the Company to acquire one common share of African Gold Group at a price of $0.90 until April 25, 2020. The warrants were revalued at July 31, 2019 at an estimated value of $44,444 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 138.1%; risk-free interest rate of 1.68% and an expected average life of 0.7 years.

iii. As at July 31, 2019, the Company holds 1,071,429 warrants of Aguia Resources Limited (“Aguia”) where each warrant entitles the Company to acquire one common share of Aguia at a price of $0.60 until April 12, 2021. The warrants were revalued at July 31, 2019 at an estimated value of $16,393 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90.8%; risk-free interest rate of 1.55% and an expected average life of 1.7 years. See Note 7(b).

(Expressed in Canadian dollars unless otherwise noted)

5. INVESTMENTS (continued)

iv. As at July 31, 2019, the Company holds 250,000 warrants (after a share consolidation of 5:1 on May 17, 2019) of Emerita Resources Corp. ("Emerita") where each warrant entitles the Company to acquire one common share of Emerita at a price of $1.00 until December 20, 2019. The warrants were revalued at July 31, 2019 at an estimated value of $35 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 137.5%; risk-free interest rate of 1.68% and an expected average life of 0.4 years.

v. On September 28, 2018, the Company's loan receivable from ANM Inc. was converted to 1,556,316 shares and warrants of Halo Labs Inc. (formerly Apogee) ("Halo") as a result of the close of the Business Combination described in Note 6. Each warrant entitles the Company to acquire one common share of Halo at a price of $0.80 until December 31, 2020. The warrants were revalued at July 31, 2019 at an estimated value of $116,412 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 78.7%, based on volatility of comparable companies; risk-free interest rate of 1.55% and an expected average life of 1.4 years.

vi. As at July 31, 2019, the Company holds 2,500,000 warrants of Q-Gold Resources Ltd. ("Q-Gold"). Each warrant entitles the Company to acquire one common share of Q-Gold at a price of $0.15 until July 4, 2020. The warrants were revalued at July 31, 2019 at an estimated value of $338,500 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 78.4%; risk-free interest rate of 1.69% and an expected average life of 0.9 years.

vii. As at July 31, 2019, the Company holds 577,000 warrants of QMX Gold Corporation ("QMX"). Each warrant entitles the Company to acquire one common share of QMX at a price of $0.35 until October 5, 2019. The warrants were revalued at July 31, 2019 at an estimated value of $58 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 139.3%; risk-free interest rate of 1.65% and an expected average life of 0.2 years.

For the year ended July 31, 2019, the Company sold investments for gross proceeds of $5,619,910, incurring commissions of $37,775 and realizing losses of $6,084,890. For the year ended July 31, 2018, the Company sold investments for gross proceeds of $6,027,189, incurring commissions of $50,735 and realizing gains of the sale of investments of $445,369. As a result of the fair value adjustment to the investments held by the Company at July 31, 2019, unrealized losses of $7,168,294 was recognized for the year ended July 31, 2019 (year ended July 31, 2018: unrealized loss of $3,415,238).

6. LOAN RECEIVABLE

The Company's loan receivable balances as at July 31, 2019 and July 31, 2018 are made up of the following:

Due from:		July 31, 2019		July 31, 2018
Trigon Metals Inc.	$	102,389	$	-
Fura Gems Inc.		166,738		-
Brazil Potash Corp.		289,345		-
ANM Inc.		-		368,987
Balance	$	558,472	$	368,987

a) Trigon Metals Inc.

On January 29, 2019, the Company entered into a loan agreement with Trigon Metals Inc. ("Trigon") whereby the Company agreed to lend Trigon $96,000 (the "Principal"). Interest is accrued and calculated at 12% per annum. The Principal and accrued interest was due and payable no later than July 29, 2019. On August 14, 2019, the loan was amended to extend the loan to January 2, 2020. The interest outstanding at July 29, 2019 of $6,322 plus an extension fee of $2,500 was added to the principal.

6. LOAN RECEIVABLE (continued)

b) Fura Gems Inc.

On March 26, 2019, the Company entered into a loan agreement with Fura Gems Inc. ("Fura") whereby the Company agreed to lend Fura $160,000 (the "Principal"). Interest is accrued and calculated at 12% per annum. The Principal and accrued interest was due and payable no later than June 24, 2019. On September 10, 2019, the loan was amended to extend the loan to December 31, 2019. The interest outstanding at June 24, 2019 of $4,734 plus and extension fee of $5,000 was added to the principal.

c) Euro Sun Mining Inc.

On June 18, 2019, the Company entered into a loan agreement with Euro Sun Mining Inc. ("Euro Sun") whereby the Company agreed to lend Euro Sun US$86,000 ($115,206) (the "Principal"). Interest was accrued and calculated at 12% per annum. On July 5, 2019, the Principal and accrued interest of US$424 ($556) was repaid.

d) Brazil Potash Corp.

On June 18, 2019, the Company entered into a loan agreement with Brazil Potash Corp. ("Brazil Potash") whereby the Company agreed to lend Brazil Potash US$217,000 ($291,582) (the "Principal"). Interest is accrued and calculated at 12% per annum. The Principal and accrued interest was due and payable no later than August 17, 2019. On September 10, 2019, the loan was amended to extend the loan to March 31, 2020. The interest outstanding at August 17, 2019 of US$4,281 plus an extension fee of US$5,000 was added to the principal.

e) ANM Inc.

In July 2017, the Company entered into a convertible note purchase agreement with ANM Inc., purchasing a non-negotiable convertible promissory note for US$250,000 ($323,875). Unless the note was converted, principal and accrued interest was due to the Company in January 2018. Interest accrued at a rate of 12% per annum. This note was unsecured.

On May 21, 2018, the convertible note purchase agreement was amended to extend the maturity date to (1) December 28, 2018 or (2) upon change of control of ANM Inc., whichever occurs first (the "Maturity Date"). On May 9, 2018, ANM Inc. had entered into a binding letter of intent with Apogee Opportunities Inc. ("Apogee") whereby ANM Inc. would combine with Apogee and shares of ANM Inc. would be exchanged for common shares of Apogee at an exchange ratio of 1.35 common shares of Apogee for each share of ANM Inc. (the "Business Combination"). According to the terms of the amended note purchase agreement, on closing of the Business Combination, the balance of the loan receivable, including unpaid interest, would automatically convert to the number of shares and warrants of ANM Inc. based on a conversion price equal to 60% of the purchase price of a unit of the resulting combined entity in a proposed equity financing, which was expected to be $0.40 per unit, multiplied by the exchange ratio of 1.35. On September 28, 2018, the Business Combination closed and the Company's loan receivable, including interest accrued, from ANM Inc. was converted to 1,556,316 shares and warrants of Halo Labs Inc. See Note 5.

An amount of $7,204 was accrued in interest for the year ended July 31, 2019 (year ended July 31, 2018 - $40,690), and the Company recognized a foreign exchange loss of $2,676 during the year ended July 31, 2019 (year ended July 31, 2018 – gain of $14,222).

(Expressed in Canadian dollars unless otherwise noted)

7. INVESTMENT IN ASSOCIATES

a) Troilus Gold Corporation ("Troilus")

As at July 31, 2019, the Company owns a 12.5% interest in Troilus Gold Corporation ("Troilus"). Troilus was formerly named Pitchblack Resources Ltd. ("Pitchblack") and is listed on the TSX Venture Exchange ("TSX-V"). Troilus's primary focus is the mineral expansion and potential mine re-start at the former gold and copper Troilus Mine.

During the year ended July 31, 2019, the Company's interest in Troilus dropped as a result of the issuance of shares by Troilus. As a result, the Company recognized a loss on dilution of $1,571,667. In addition, the Company disposed of shares of Troilus during the period for gross proceeds of $3,220,020 (year ended July 31, 2018 - $1,199,999), incurring commissions of $25,000 and recognizing a loss on disposition of $4,942,212. As a result of the dispositions, on January 24, 2019 the Company's ownership interest in Troilus dropped to 18.0%. On this date management re-assessed the level of influence that the Company had with respect to Troilus and determined that it no longer had significant influence as its ownership interest was below 20%. As a result, the Company recorded a fair value adjustment of $5,898,616 upon recognition of its retained interest in Troilus as a financial asset (See Note 5).

July 31, 2017	$	-
Acquisition of 150,000 shares at cost		60,000
Fair market valuation adjustment to December 20, 2017		186,000
Acquisition of 15,000,000 shares at fair value of consideration received (see Note 8)		24,600,000
Acquisition of 25,000 shares at cost		45,685
Disposition of 731,707 shares at cost		(1,199,999)
Gain on dilution of interest		1,924,495
Proportionate share of net loss		(3,609,092)
July 31, 2018	$	22,007,089
Proportionate share of net loss and adjusments		(261,433)
Loss on dilution of interest		(1,571,667)
Disposition of 5,000,000 shares at cost		(8,137,232)
Fair market valuation adjustment to January 24, 2019		(5,898,616)
Recognition of financial asset (Note 5)		(6,138,141)
July 31, 2019	$	-

The Company is not exposed to any additional losses beyond its initial investment amount. No dividends or cash distributions were received by the Company from the associate during the period.

The Company recorded and equity loss of $1,833,100 for the year ended July 31, 2019 (year ended July 31, 2018 - $3,609,092) of which $261,433 represents the proportionate share of Troilus's net loss through the period ended January 24, 2019 and $1,571,667 represents the loss on dilution of the Company's interest in Troilus. The Company's proportionate share of the Troilus net loss has been adjusted to reflect the difference in accounting policy related to exploration and evaluation expenditures. The Company has a policy of capitalizing exploration and evaluation expenditures, whereas Troilus expenses these expenditures as incurred. The Company and Troilus have the same fiscal year end of July 31 and the same reporting periods.

(Expressed in Canadian dollars unless otherwise noted)

7. INVESTMENT IN ASSOCIATE (continued)

b) Aguia Resources Ltd. ("Aguia")

On April 12, 2018, management re-assessed the level of influence that the Company had with respect to Aguia and determined that it no longer had significant influence, as a result, the Company recognized its retained interest in Aguia as a financial asset (see Note 5). During the comparative year ending July 31, 2018, the Company recorded an equity loss of $242,315, which represented the proportionate share of Aguia's net loss through the nine months ended March 31, 2018. Aguia has a June fiscal year end and it was impractical to prepare financial statements to April 30, 2018 as Aguia is a listed entity. It was expected that the difference in reporting dates was immaterial. In addition, during the year ended July 31, 2018, the Company sold some shares of Aguia for proceeds of $1,482,353, recognizing a loss of $2,914, on the sale of investments.

8. EXPLORATION AND EVALUATION ASSETS

		East Sullivan project		Troilus project		TOTAL
Balance as at July 31, 2017	$	141,145	$	819,594	$	960,739
Capitalized expenditures for the period		278		165,850		166,128
Property acquisition and maintenance costs		-		220		220
Disposition		-		(985,664)		(985,664)
Balance as at July 31, 2018	$	141,423	$	-	$	141,423
Capitalized expenditures for the period		84,347		-		84,347
Balance as at July 31, 2019	$	225,770	$	-	$	225,770

The East Sullivan property consists of 13 staked claim units referred to as the East Sullivan Property near Val D'Or Quebec. All claims are contiguous and 100% owned by the Company. The Company is maintaining these claims in good standing. The Company began data extraction and compilation in the year to generate drill targets on the property.

In June 2017 and amended in September 2017 and October 2017, the Company entered into an agreement with Pitchblack Resources Ltd. ("Pitchblack") to sell the outstanding equity securities of 2507868, which held the option agreement to acquire the Troilus project. According to the agreement the sale would be completed through the amalgamation of 2507868, 251 Ontario Ltd. and a subsidiary of Pitchblack. In connection with the sale and amalgamation, Pitchblack changed its corporate name and brand identity to Troilus Gold Corp. ("Troilus").

On December 20, 2017, in exchange for the sale of 2507868 and its interest in the Troilus project, the Company received 15,000,000 shares of Troilus (formerly Pitchblack), on a post consolidation basis, with a fair market value of $24,600,000 resulting in a gain on disposition of 2507868 and the Troilus project of $23,614,336. As at December 20, 2017, the 15,000,000 shares represented approximately 36% of the issued and outstanding shares of Troilus. See Note 7.

9. SHARE CAPITAL

As at July 31, 2019, the Company's authorized number of common shares was unlimited without par value.

(Expressed in Canadian dollars unless otherwise noted)

10. SHARE PURCHASE WARRANT RESERVE

Warrant activity during the year ended July 31, 2019 was as follows:

	Number of Warrants	Weighted Average Exercise Price	Value ($)
Balance as at July 31, 2017 and 2018	7,099,979	$0.40	783,195
Expiry	(4,600,000)	$0.35	(315,114)
Balance as at July 31, 2019	2,499,979	$0.50	468,081

The following table summarizes the warrants outstanding as at July 31, 2019:

Exercise Price	**Expiry Date**	**Number Outstanding**	**Number Exercisable**	**Value ($)**	**Weighted Average Remaining Contractual Life (years)**
$ 0.50	November 24, 2019	2,499,979	2,499,979	468,081	0.32
		2,499,979	2,499,979	468,081	0.32

11. SHARE-BASED PAYMENT RESERVE

	Share Purchase Options	**Restricted Share Units**	**Total Reserve**
Balance as at July 31, 2017	$ 612,163	$ (144,157)	$ 468,006
Share-based payments allocated to:			
Expenses	215,678	628,302	843,980
Purchase of restricted share units	-	(228,986)	(228,986)
Balance as at July 31, 2018	$ 827,841	$ 255,159	$ 1,083,000
Share-based payments allocated to:			
Expenses	-	188,223	188,223
Option expiry	(342,230)	-	(342,230)
Balance as at July 31, 2019	$ 485,611	$ 443,382	$ 928,993

The share-based payments recorded on the consolidated statements of operations and comprehensive loss for the years ended July 31, 2019 and 2018 are presented in detail below.

Share-based payments	**Years ended ended July 31, 2019**	**2018**
Share purchase options	$ -	$ 215,678
Restricted share units	188,223	628,302
Deferred share units	(145,169)	71,164
	$ 43,054	$ 915,144

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

The change in share purchase options during the year presented was as follows:

	Number of options	Weighted average exercise price	Value
Balance as at July 31, 2017	2,803,405	$0.35	$ 612,163
Granted	935,000	$0.35	$ 215,678
Expired	(271,805)	$0.34	-
Balance as at July 31, 2018	3,466,600	$0.35	$ 827,841
Expired	(1,655,600)	$0.33	(342,230)
Balance as at July 31, 2019	1,811,000	$0.36	$ 485,611

The following table summarizes information on share purchase options outstanding as at July 31, 2019:

Exercise Price	**Expiry Date**	**Number Outstanding**	**Number Exercisable**	**Weighted Average Remaining Contractual Life**
$0.46	September 17, 2019	651,000	651,000	0.13
$0.25	February 1, 2021	570,000	570,000	1.51
$0.35	December 12, 2022	570,000	570,000	3.37
$0.44	January 16, 2023	20,000	20,000	3.47
	Total	1,811,000	1,811,000	1.62

Restricted Share Unit and Deferred Share Unit Incentive Plans

On September 17, 2014, the Company adopted a Restricted Share Unit (“RSU”) Incentive Plan and a Deferred Share Unit (“DSU”) Incentive Plan.

On January 5, 2016, the Company granted and issued an aggregate of 500,000 RSUs to an officer of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 500,000 RSUs vested in three equal tranches, on each of January 5, 2017, January 5, 2018 and January 5, 2019. The fair value of these RSUs was determined to be $0.26 per unit on the date of grant.

On December 12, 2017, the Company granted and issued an aggregate of 2,945,000 RSUs to officers and employees of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. During the year ended July 31, 2019, 416,666 of the RSUs were cancelled, unvested. Of the remaining 2,528,334 RSUs, 981,666 vested on June 1, 2018, 898,334 vested on February 1, 2019 and 648,334 will vest on February 1, 2020. The fair value of these RSUs was determined to be $0.32 per unit on the date of grant.

On January 15, 2018, the Company granted and issued an aggregate of 25,000 RSUs to an employee of the Company. Each RSU entitles the holder to receive one common share of the Company to be purchased in the secondary market by an independent trustee upon the vesting of such RSU, subject to acceleration upon a change of control of the Company. The 25,000 RSUs vested or will vest in three equal tranches, on each of June 1, 2018, February 1, 2019 and February 1, 2020. The fair value of these RSUs was determined to be $0.435 per unit on the date of grant.

(Expressed in Canadian dollars unless otherwise noted)

11. SHARE-BASED PAYMENT RESERVE (continued)

Restricted Share Unit and Deferred Share Unit Incentive Plans (continued)

As at July 31, 2019, the Company has 1,073,738 DSUs outstanding. Each DSU entitles the holder to receive a cash payment equal to the market price of one common share of the Company upon ceasing to hold office. 1,065,841 DSUs that are currently issued are fully vested and 7,897 DSUs that are currently issued vest based on the pro-rata number of days each independent director remains a director of the Company until February 1, 2020, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

As at July 31, 2019, 1,065,841 DSUs related to current directors have vested and entitle the holders, upon ceasing to hold office, to receive a cash payment of $120,916 equal to an average market price of $0.11 for each DSU. This amount is recorded as a liability on the consolidated statements of financial position.

Details of RSUs and DSUs granted and outstanding are summarized in the table below and reflect the number of RSUs and DSUs that may vest based on conditions existing as at July 31, 2019:

	RSU		DSU			
	Non-vested	**Vested**	**Non-vested**	**Forfeited**	**Paid**	**Vested**
Balance as at July 31, 2017	625,000	3,750,000	70,556	218,002	31,998	829,444
Activity during the period:						
RSUs granted	2,970,000	-	-	-	-	-
DSUs granted	-	-	200,000	-	-	-
RSUs vesting from previous grant	(1,448,333)	1,448,333	-	-	-	-
DSUs vesting from previous grant	-	-	(193,960)	-	-	193,960
Balance as at July 31, 2018	2,146,667	5,198,333	76,596	218,002	31,998	1,023,404
Activity during the period:						
RSUs vesting or forfeited from previous grant	(1,073,334)	1,073,334	-	-	-	-
Cancellation of RSUs	(416,666)	-				
DSUs vesting from previous grant	-	-	(68,699)	26,262	-	42,437
Balance as at July 31, 2019	656,667	6,271,667	7,897	244,264	31,998	1,065,841

Upon vesting, the Company was obligated to deliver to the holders of the RSUs 166,667 common shares of the Company on January 5, 2019 and 990,000 common shares of the Company on June 1, 2018, 906,667 common shares on February 1, 2019 and 656,667 common shares on February 1, 2020. At July 31, 2019, shares had not been issued for 958,335 of the 990,000 RSUs that vested on June 1, 2018, 166,667 of the RSUs that vested on January 5, 2019 and 906,667 of the RSUs that vested on February 1, 2019.

For the year ended July 31, 2019, share-based compensation expense of $188,223 was recognized for the RSUs (year ended July 31, 2018: $628,302) and recovery of $145,169 was recognized for the DSU incentive plan (July 31, 2018: expense of $71,164).

(Expressed in Canadian dollars unless otherwise noted)

12. PROFESSIONAL, CONSULTING AND MANAGEMENT FEES

	Year ended July 31, 2019		Year ended July 31, 2018
Salaries and benefits	271,892	$	760,125
Directors fees	81,597		100,000
Consulting fees	782,357		2,281,903
Legal, audit and professional fees	68,500		625,599
	1,204,346	$	3,767,627

13. GENERAL AND ADMINISTRATIVE EXPENSES

		Year ended July 31, 2019		Year ended July 31, 2018
General and office	$	208,040	$	226,417
Shareholder communication		73,051		152,023
Travel and accommodation		288,075		254,798
	$	569,166	$	633,238

14. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, warrants and share purchase options. The Company manages its capital structure and makes adjustments based on the funds available to support the acquisition, exploration and development of its mineral properties. The board of directors has not established quantitative return on capital criteria for management and relies on the expertise of management and the board of directors to sustain future development of the business.

The management and board of directors of the Company review its capital management approach on an ongoing basis and believe it reflects a reasonable approach given the relative size of the Company's assets. The Company and its subsidiaries are not subject to externally imposed capital requirements.

(Expressed in Canadian dollars unless otherwise noted)

15. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities at July 31, 2019 and 2018 were as follows:

	Financial instrument classification		Carry amount		Fair value
As at July 31, 2019					
Cash	Amortized cost	$	77,749	$	77,749
Investments	FVPL		12,213,432		12,213,432
Loans receivable	Amortized cost		558,472		558,472
Amounts receivable and other	Amortized cost		109,440		109,440
Accounts payable and accrued liabilities	Amortized cost		564,787		564,787
As at July 31, 2018					
Cash and cash equivalents	FVPL	$	428,968	$	428,968
Investments	FVPL		12,371,859		12,371,859
Loans receivable	Loans and receivables		368,987		368,987
Amounts receivable and other	Loans and receivables		90,377		90,377
Accounts payable and accrued liabilities	Amortized cost		1,098,418		1,098,418

Fair value hierarchy

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements 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.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at July 31, 2019.

		Level 1		Level 2		Level 3		TOTAL
As at July 31, 2019								
Investments	$	11,676,984	$	536,448	$	-	$	12,213,432
As at July 31, 2018								
Cash and cash equivalents	$	-	$	428,968	$	-	$	428,968
Investments		11,856,122		515,737		-		12,371,859

The carrying value of cash and cash equivalents, amounts receivable and other, and accounts payable and accrued liabilities reflected in the statements of financial position approximate fair value because of the relatively short-term maturities.

Interest rate risk

A 1% increase in interest rates, based on the balance of cash, cash equivalents and fixed income investments at July 31, 2019, would result in an increase in annual interest income of approximately $778. All liabilities as at July 31, 2019 are non-interest bearing.

15. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Company operates in Canada and its functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has acquired some investments, including its previous investment in an associate, which are denominated in foreign currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations.

Cash and cash equivalents are held in financial institutions from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist primarily of goods and services tax and harmonized sales tax due from the Federal Government of Canada.

Liquidity risk

As at July 31, 2019, the Company had net working capital of $12,605,982, which included cash of $77,749, investments of $12,213,432, loans receivable of $558,472, and amounts receivable and prepaid expenses of $321,116 offset by current liabilities of $564,787. The Company expects to rely on its existing net working capital to finance its ongoing planned activities.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in commodities prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company’s earnings. The Company classifies these investments as fair value through profit and loss where price volatility is reflected in earnings.

16. RELATED PARTY DISCLOSURES

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

Related party balances

The Company shares office space, resources and certain services with other corporations. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee. For the year ended July 31, 2019, the Company was charged $300,000 for these services (July 31, 2018: $300,000). As well, the Company was charged an additional $58,304 by 2227929 Ontario Inc. for other services (year ended July 31, 2018: $9,728).

As at July 31, 2019, the Company had advanced $175,700 to Forbes & Manhattan, Inc., a company for which Mr. Stan Bharti (CEO of SMC) is the Executive Chairman, for consulting services.

(Expressed in Canadian dollars unless otherwise noted)

16. RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel were as follows:

	Year ended July 31, 2019	Year ended July 31, 2018
Management salaries and fees	$ 568,196	$ 2,473,344
Directors fees	81,597	100,000
Share-based payments	49,029	743,320
	$ 698,822	$ 3,316,664

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

As at July 31, 2019, the Company holds investments in certain public resource and other sector companies that are related party entities, related by virtue of the relationship with common directors and officers.

Public Issuer		Security description	Cost	Estimated Fair value
Aberdeen International Inc.	i.	4,790,000 warrants	221,436	1,437
Euro Sun Mining Inc.	ii.	30,825 common shares	26,213	11,714
QuestCap Inc. (formerly Copper One Inc.)	iii.	846,154 common shares	56,571	122,692
			$ 304,220	$ 135,843

i. The Company's executive chairman, Stan Bharti, serves as director of this company.
ii. The Company's executive chairman, Stan Bharti, serves as director of this company. The Company's director, Brad Humphrey, is an officer of this company.
iii. The Company's executive chairman, Stan Bharti, serves as interim CEO and director of this company. The Company's CFO, Deborah Battiston, is CFO of this company.

17. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $427,500 (as at July 31, 2018 - $375,000) and additional contingent payments of approximately $2,670,000 (as at July 31, 2018 - $3,150,000) upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected in these condensed interim financial statements.

The Company is obligated to deliver common shares of the Company to the holders of RSUs granted under the terms of its RSU Plan. See Note 11.

The Company was involved in a litigation proceeding with APIO Africa Ltd. ("APIO") whereby APIO was challenging the Company's actions with respect to the transfer of the DAOS shares. APIO was seeking monetary compensation. A reliable estimate of the amount of the claim could not be made at date of these financial statements. The probability of the outcome was also uncertain. The Company was vigilantly defending its actions with respect to these claims. See Note 19.

(Expressed in Canadian dollars unless otherwise noted)

18. INCOME TAX

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2018: 26.5%) were as follows:

	For the years ended July 31, 2019	2018
(Loss)/income before income taxes	$ (21,826,770)	$ 13,318,070
Statutory rate	26.50%	26.50%
Expected income tax (recovery)/expense	(5,784,094)	3,529,289
Adjustments to expected income tax recovery:		
Share-based payments	11,410	242,513
Non-deductible expenses	13,215	1,727
Change in tax benefit/expense not recognized	5,759,469	(3,773,529)
Total	$ -	$ -

b) Deferred income tax balances

The following table summarizes the components of deferred income tax:

	For the years ended July 31, 2019	2018
Deferred income tax assets and (liabilities):		
Capital and non-capital tax losses carried forward	3,289,912	2,485,029
Share issue costs	1,295	2,643
Investments	(130,502)	631,937
Investment in associates	-	(2,909,886)
Mineral property	1,103,957	1,103,957
Others	305,410	305,410
Net deferred income tax assets (liabilities)	4,570,072	1,619,090
Unrecognized deferred tax assets	(4,570,072)	(1,619,090)
Deferred income tax (liability)	$ -	$ -

19. SUBSEQUENT EVENTS

Subsequent to the end of the year, the Company sold investments generating $3,080,713 in net proceeds and purchased investments with a cost of $1,796,000.

See Note 6 for amendments to certain loan receivable agreements.

On August 7, 2019, the Company entered into a loan agreement with Aberdeen whereby the Company agreed to lend Aberdeen $470,000. Interest is accrued and calculated at 12% per annum. The Principal and accrued interest is due and payable no later than February 7, 2020. The Company's executive director, Stan Bharti, is a director of Aberdeen.

On September 17, 2019, 651,000 options with exercise prices of $0.46 expired, unexercised.

19. SUBSEQUENT EVENTS (continued)

On September 19, 2019, the Company received notification of the judgement held by the court on the APIO litigation proceeding (see Note 17), in which the court rejected the claim and charged APIO to pay Sulliden NIS 20,000 ($7,548) for its expenses.

On September 23, 2019, the Company entered into an agreement to sell its shares of a private company for cash proceeds of $22,000 and a promissory note with a principal amount of $198,000. Interest on the principal will accrue at a rate of 10% per annum. The principal and accrued interest will be due and payable on September 23, 2020.