Consolidated Financial Statements
(Expressed in Canadian dollars)

LITHION ENERGY

(An Exploration Stage Company)

August 31, 2019

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lithion Energy Corp.

Opinion

We have audited the consolidated financial statements of Lithion Energy Corp. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our 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 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 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 to the financial statements, which indicates that the Company incurred a net loss of $1,251,531 during the year ended August 31, 2019. This event or condition, 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 Management's Discussion and Analysis.

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

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

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

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

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

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

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

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

November 26, 2019

MOORE

An independent firm
associated with Moore
Global Network Limited

LITHION ENERGY CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		August 31, 2019		August 31, 2018
Assets				
Current assets				
Cash	$	1,986,553	$	1,130,520
Receivables (note 6)		3,923		11,960
		1,990,476		1,142,480
Non-current assets				
Advance (note 16)		-		216,168
Exploration and evaluation assets (note 7)		-		758,797
Reclamation bond (note 7)		-		7,817
		-		982,782
Total assets	$	1,990,476	$	2,125,262
Liabilities and Shareholders' Equity				
Current liabilities				
Trade payables and accrued liabilities (note 8 and 12)	$	15,428	$	17,933
Shareholders' Equity				
Share capital (note 9)		28,154,243		27,034,993
Reserve (note 10)		2,055,318		2,055,318
Deficit		(28,234,513)		(26,982,982)
		1,975,048		2,107,329
Total liabilities and shareholders' equity	$	1,990,476	$	2,125,262

Nature of operations and going concern (note 1)
Commitments (note 16)
Subsequent event (note 17)

See accompanying notes to consolidated financial statements

Approved on behalf of the Board of Directors:

"John Anderson" Director *"Alex Granger"* Director

LITHION ENERGY CORP.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended August 31, 2019	Year ended August 31, 2018
Expenses		
Consulting and other fees (note 16)	$ 52,618	$ 16,917
Director fees (note 12)	20,415	24,000
Foreign exchange gain	(17,540)	(36,090)
Investor relations	18,000	-
Management fees (note 12)	50,000	60,000
Office and administration	57,214	43,156
Professional fees	79,045	28,424
Share-based payments (notes 10 and 12)	-	95,938
Transfer agent and regulatory fees	33,058	14,957
Travel	17,354	-
	310,164	247,302
Other items		
Write-off of advance (note 16)	127,612	-
Write-down of exploration and evaluation assets (note 7)	813,755	-
Comprehensive loss for the year	$ (1,251,531)	$ (247,302)
Loss per common share –basic and diluted (note 11)	$ (0.04)	$ (0.01)
Weighted average number of common shares – basic and diluted (note 11)	32,129,401	28,175,233

See accompanying notes to consolidated financial statements.

LITHION ENERGY CORP.

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

	Number of shares	Share capital	Reserve	Deficit	Shareholders' Equity
Balance, August 31, 2017	28,175,233	$ 27,034,993	$ 1,959,380	$ (26,735,680)	$ 2,258,693
Share-based payments (note 10)	-	-	95,938	-	95,938
Loss for the year	-	-		(247,302)	(247,302)
Balance, August 31, 2018	28,175,233	27,034,993	2,055,318	(26,982,982)	2,107,329
Share issuance (note 9)	7,000,000	350,000	-	-	350,000
Exercise of warrants (note 9)	5,128,332	769,250	-	-	769,250
Loss for the year	-	-	-	(1,251,531)	(1,251,531)
Balance, August 31, 2019	40,303,565	$ 28,154,243	$ 2,055,318	$ (28,234,513)	$ 1,975,048

See accompanying notes to consolidated financial statements.

LITHION ENERGY CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended August 31, 2019	Year ended August 31, 2018
Cash provided by (used in)		
Operating activities		
Net loss for the year	$ (1,251,531)	$ (247,302)
Items not involving cash:		
Write-off of advance	127,612	-
Write-down of exploration and evaluation asset	813,755	-
Share-based payments	-	95,938
Changes in non-cash working capital:		
Receivables	8,037	(6,396)
Advance	88,556	20,324
Trade payables and accrued liabilities	(754)	(1,886)
	(214,325)	(139,322)
Financing activities		
Private placement	350,000	-
Exercise of warrants	769,250	-
	1,119,250	-
Investing activities		
Exploration and evaluation assets	(56,709)	(93,055)
Reclamation bond refund	8,022	-
	(48,687)	(93,055)
Effect of foreign exchange	(205)	(270)
Change in cash during the year	856,033	(232,647)
Cash, beginning of the year	1,130,520	1,363,167
Cash, end of the year	$ 1,986,553	$ 1,130,520

During the year ended August 31, 2019, there were no significant non-cash financing and investing transactions.

During the year ended August 31, 2018, the significant non-cash financing and investing transaction included $1,751 in exploration and evaluation assets which were included in trade payables and accrued liabilities.

See accompanying notes to consolidated financial statements.

1. Nature of operations and going concern

Lithion Energy Corp. (formerly Barisan Gold Corporation**),** (the "Company") was incorporated under the laws of the Province of British Columbia on January 25, 2011. Its principal business activities are the acquisition, exploration and development of exploration and evaluation assets. The Company's corporate office and principal place of business is 400-601 West Broadway Ave, Vancouver, British Columbia, Canada V5Z 4C2. The Company trades under the symbol "LNC" on the TSX Venture Exchange ("TSX-V").

Subsequent to August 31, 2019, the Company has determined to refocus its business operations from that of a mining issuer to an investment issuer. Trading of the Company's shares has been halted pending receipt and review of acceptable documentation regarding the change of business. See note 17.

During the year ended August 31, 2019, the Company incurred a net loss of $1,251,531. To August 31, 2019, the Company has incurred cumulative losses of $28,234,513 and further losses are expected. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise capital or borrowings sufficient to meet current and future obligations.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on November 26, 2019.

2. Basis of presentation

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 International Financial Reporting Interpretations Committee ("IFRIC") effective as of August 31, 2019.

The consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Significant accounting policies

The accounting policies set out below have been applied to the periods presented in these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements of the Company include the assets, liabilities and results of operations of the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership 2019	Percentage ownership 2018
Lithion USA (Nevada) Corp.	USA	100%	100%
Lithion USA (Arizona) Corp.	USA	100%	100%

All intercompany transactions and balances are eliminated on consolidation.

b) Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and each of its subsidiaries.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the reporting date. Non-monetary assets and liabilities are translated using foreign exchange rates prevailing at the date of the transaction.

Exchange gains or losses arising on the translation of monetary items are recognized in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on these non-monetary items are also recognized in other comprehensive income.

c) Financial instruments

The Company has adopted new accounting standard IFRS 9 – Financial Instruments, effective September 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and financial liabilities. This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption, although it was determined that the adoption of IFRS 9 had no impact on the comparative period's financial statements.

3. Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument.

For financial liabilities, the new standard retains most of the requirements of IAS 39, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive income rather than in net earnings.

Upon adoption of IFRS 9, the Company has changed its accounting policy for financial instruments as follows:

<u>Classification</u>

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL, or FVTOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset/liability is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVTOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company completed an assessment of its financial assets and liabilities as at September 1, 2018. The adoption of IFRS 9 has no quantitative impact on the Company's financial instruments as at September 1, 2018.

3. Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

However, it has an impact on the classification of the Company's financial instruments compared to the old standard IAS 39 as follows:

Asset or Liability	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Trade payables	Other liabilities	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in Other Comprehensive Income ("OCI") and are never reclassified to profit or loss.

Debt investments at FVTOCI

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

Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3. Significant accounting policies (cont'd)

c) Financial instruments (cont'd)

For financial assets measured at amortized cost, and debt investments at FVTOCI, the Company applies the expected credit loss impairment model. On adoption of the expected credit loss model there was no material adjustment.

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

d) Significant accounting estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurement for financial instruments and stock-based compensation, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

e) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that my give rise to significant uncertainty;
- the classification/allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

f) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. Significant accounting policies (cont'd)

g) Exploration and evaluation assets

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets incurred subsequent to the acquisition of legal rights to explore are capitalized by property. If economically recoverable ore reserves are determined to exist, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that asset is written down to its recoverable amount. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Indicators of impairment for assets considered to be in the exploration and evaluation stage include the following:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to explore and complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties or by sale.

h) Impairment

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. Significant accounting policies (cont'd)

h) Impairment (cont'd)

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

i) Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for a restoration and environmental obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized restoration and environmental costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs). The Company had no restoration and environmental obligations as of August 31, 2019 and 2018.

j) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

k) Share-based payments

The Company makes periodic grants of share-based awards to selected directors, officers, employees and others providing similar service.

The fair value of the equity-settled awards is determined at the date of the grant by using the Black-Scholes Option Pricing Model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against the reserve for equity settled share based transactions.

l) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

3. Significant accounting policies (cont'd)

l) Loss per share (cont'd)

The basic loss per share figure has been calculated using the weighted average number of shares outstanding during the respective period. Diluted loss per share is equal to basic loss per share as the effect of outstanding options is anti-dilutive.

m) Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

4. New standards, amendments and interpretations not yet adopted or effective

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standard that impacts the Company is as follows:

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation and disclosure of leases, including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases, as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has evaluated that application of this standard will not have a material impact on the results and financial position of the Company.

Certain other accounting pronouncements were issued but the Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

5. Capital management

The Company considers the items in shareholders' equity as capital. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its future liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

(Expressed in Canadian dollars)

5. Capital management (cont'd)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended August 31, 2019. The Company is not subject to externally imposed capital requirements.

6. Receivables

Current receivables consist of Government of Canada taxes receivable at August 31, 2019 of $3,923 (2018 - $11,960).

7. Exploration and evaluation assets

		Lithium Projects
		USA
Balance at August 31, 2017	$	663,991
Exploration costs		
Licenses & renewals		72,479
Geology and other		22,327
Balance at August 31, 2018		758,797
Exploration costs		
Licenses & renewals		54,958
Write-down of exploration and evaluation asset		(813,755)
Balance at August 31, 2019	$	-

Black Canyon (Arizona) and Railroad Valley (Nevada) Projects, USA

On May 2, 2017, the Company completed the acquisition of certain claims comprising the Black Canyon Lithium Property, located in Arizona, USA and the Railroad Valley Lithium Property located in Nevada, USA. Pursuant to the property purchase agreement, the Company paid $100,000 and issued 4,133,723 common shares, with a fair value of $516,715, in exchange for a 100% equity interest in both the Black Canyon and Railroad Valley properties. Each property is subject to a 2% net smelter royalty.

Black Canyon
During the year ended August 31, 2018, the Company decided not to renew the exploration permits for the Black Canyon Lithium Property in Arizona. Management determined that the claims comprising the Black Canyon Lithium Property were of nominal value. During the year ended August 31, 2019, the Company was refunded $8,022 (US $6,000) for a reclamation bond previously posted on the Black Canyon Lithium Property.

Railroad Valley
Subsequent to August 31, 2019, the Company is in the process of completing a change in business (Note 1). Accordingly, management has determined that it will no longer be further pursuing exploration work on the Railroad Valley Lithium Property and, as such $813,755 was written-down,

(Expressed in Canadian dollars)

8. Trade payables and accrued liabilities

Trade payables and accrued liabilities consist of the following:

		August 31, 2019		August 31, 2018
Trade payables	$	714	$	2,933
Accrued liabilities		14,714		15,000
	$	15,428	$	17,933

9. Share capital

a) Authorized share capital:

Unlimited number of voting common shares without par value.

Issued share capital:

As at August 31, 2019 - 40,303,565 (2018 - 28,175,233) common shares were issued and outstanding.

During the year ended August 31, 2019:

On May 2, 2019, the Company completed private placement of 7,000,000 common shares at a price of $0.05 per common share for gross proceeds of $350,000.

On May 2, 2019, the Company issued 5,128,332 common shares for gross proceeds of $769,250 for the exercise of warrants.

There were no share capital transactions for the year ended August 31, 2018.

b) Warrants:

Warrant transactions and the number of warrants outstanding are summarized as follows:

	August 31, 2019			August 31, 2018		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Warrants, beginning of the year	7,500,000	$	0.15	12,500,000	$	0.19
Expired	(2,371,668)		0.15	(5,000,000)		0.25
Exercised	(5,128,332)		0.15	-		-
Warrants, end of the year	-	$	-	7,500,000	$	0.15

(Expressed in Canadian dollars)

10. Share-based payments

a) Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 10% of the outstanding issued common shares. The stock option plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the TSX-V. Options granted under the plan will have a term not to exceed ten years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX-V. Stock option transactions and the number of stock options outstanding are summarized as follows:

The changes in options are as follows:

	August 31, 2019		August 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the year	2,025,000	$ 0.15	2,034,000	$ 0.17
Expired and forfeited	(1,025,000)	0.18	(9,000)	
Options outstanding, end of the year	1,000,000	$ 0.13	2,025,000	$ 0.15
Options exercisable, end of the year	1,000,000	$ 0.13	2,025,000	$ 0.15

For the year ended August 31, 2019 and 2018, there were no issuances of stock options. The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes Option Pricing Model.

The stock options outstanding and exercisable at August 31, 2019 are as follows:

Number of options – outstanding	Number of options – exercisable	Exercise Price	Expiry date
1,000,000	1,000,000	$ 0.13	May 10, 2020 [1]

[1] During the year ended August 31, 2019, the term of the 1,000,000 was amended such the stock options will be exercisable until the earlier of May 10, 2020 or the date that is one year after the optionee resigns from, or is terminated from, its position within the Company. The modification did not result in any additional share-based payment expense.

b) Share-based payments

Total share-based payments recognized on previously granted stock options which vested during year ended August 31, 2018, under the fair value method, was $95,938.

c) Reserve

The reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be reallocated to share capital.

(Expressed in Canadian dollars)

11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2019 the weighted average number of common shares outstanding 32,129,401 (2018 - 28,175,233).

Diluted loss per share for the year ended August 31, 2019 did not include the effect of 1,000,000 (2018 – 2,025,000) stock options and nil (2018 – 7,500,000) warrants, as the effect would be anti-dilutive or the stock options and warrants had exercise prices that were higher than the weighted average share price for the year.

12. Related party transactions

The compensation of key management personnel and related parties were as follows:

	Year ended August 31, 2019	Year ended August 31, 2018
Fees and short-term benefits – management	$ 50,000	$ 60,000
Fees and short-term benefits - directors	20,415	24,000
Share-based payments	-	77,249
	$ 70,415	$ 161,249

Related party balances included in trade payable and accrued liabilities at August 31, 2019 was $2,713 (2018 - $Nil).

13. Financial instruments and risk management

<u>Financial instrument disclosures</u>

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash and trade payables. The carrying values of these financial instruments approximate their respective fair values due to the short-term nature of these instruments.

As at August 31, 2019, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

13. Financial instruments and risk management (cont'd)

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest and foreign exchange risk

Credit risk
Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company has limited the exposure to credit risk by only depositing its cash with high credit quality financial institutions, which are available on demand.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company has ensured, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash.

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

As of August 31, 2019, the Company had no significant contractual obligations other than those included in trade payables and accrued liabilities as disclosed in note 8.

Interest and foreign exchange risk
The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At August 31, 2019, the Company was not exposed to significant interest rate risk.

The Company has historically had significant operating expenditures which are denominated in United States dollars ("USD"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities.

The Canadian dollar equivalent of the amounts denominated in foreign currencies are as follows:

USD	**August 31, 2019**	**August 31, 2018**
Cash	$ 641,426	$ 876,159

13. Financial instruments and risk management (cont'd)

Sensitivity analysis:

The Company is exposed to foreign currency risk on fluctuations related to cash, that are denominated in USD. As at August 31, 2019, net assets totaling $641,426 (2018 - $876,159) were held in USD. Based on the above net exposure as at August 31, 2019 and assuming all other variables remain constant, a 2% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately $12,814 (2018 - $17,523) in the Company's loss and comprehensive loss.

14. Segmented information

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets located in the United States.

15. Income taxes

The actual income tax provision differs from the expected amounts calculated by applying the Canadian federal and provincial corporate income tax rates to the Company's loss before income taxes. A reconciliation of income taxes at statutory rates with the reported income tax expense is as follows:

	Year Ended August 31, 2019	Year Ended August 31, 2018
Income (loss) before income taxes	$ (1,251,531)	$ (247,302)
Corporate tax rate	27.00%	26.00%
Expected income tax recovery at statutory rates	(337,913)	(64,299)
Non-taxable income and expenses	(329)	24,299
Effect of change in tax rates	(224,758)	-
Deferred tax assets not recognized	563,000	40,000
Total income tax expense	$ -	$ -

Deferred tax assets have not been recognized in respect of the following items:

	August 31, 2019	August 31, 2018
Deferred income tax assets (liabilities):		
Non-capital loss carry forwards	$ 1,713,000	$ 1,323,000
Capital loss carry forward	324,000	312,000
Exploration and evaluation assets	4,391,000	4,228,000
Other	4,000	6,000
Total deferred income tax assets	6,432,000	5,869,000
Valuation allowance	(6,432,000)	(5,869,000)
Net deferred income tax assets	$ -	$ -

As at August 31, 2019, the Company had deductible temporary differences for which deferred tax assets have not been recognized because it is not probable that future profit will be available against which the Company can utilize the benefits. The Company has non-capital losses for Canadian tax purposes of approximately $6,345,000 which may be carried forward. These losses, if unutilized, will expire through 2039.

16. Commitments

a) On September 8, 2016, the Company entered into a Management Services Agreement with an arm's length party, whereby the Company paid a $250,000 deposit. The funds will be used to pay the monthly invoices rendered to the Company until such time that the deposit has been exhausted. Should the agreement be terminated within four months notice, the Company will be obligated to pay a lump sum equal to average monthly fee for four months, calculated over the longer of either twelve months prior to the notice of termination or the period of time that the Management Services Agreement has been in effect. During the year ended August 31, 2019, the Company was invoiced $88,556 (2018 - $33,832) for services rendered. At August 31, 2019, due to the proposed change in business operations (note 17), management has determined that the Company may no longer require such management services and wrote-off $127,612. At August 31, 2019, $Nil (2018, $216,168) remains as an advance.

b) On May 2, 2019, the Company entered into an Independent Contractor Agreement with an arm's length consultant, whereby the consultant has been engaged in transaction advisory services in the identification, transaction negotiating and financing in the metals and mining sector. The Company will pay a monthly fee of USD $10,000 for a term of one year, expiring on May 2, 2020, unless terminated earlier or renewed. During the year ended August 31, 2019, the Company paid a total of $52,618 (USD $40,000) (2018 – $Nil) to the consultant.

17. Subsequent event

The Company has proposed a number of changes intended to be undertaken to implement the change in refocus of its business operations from that of a mining issuer to an investment issuer, which include:

- change of name to Queen's Road Capital Ltd. ("QRC");
- redomicile from British Columbia, Canada, to the Cayman Islands;
- establish a head office in Hong Kong;
- complete a non-brokered private placement with Corom Pty. Ltd. ("Corom"), under which the company will issue Corom 83,333,333 common shares at $0.30 per share for gross proceeds of $25,000,000. Corom will also receive the right to nominate one director to the board of QRC. The directors of the Company will also participate in the lead financing for aggregate gross proceeds of $6,000,000;
- seek additional capital on completion of the lead financing through a private placement or public offering in order to increase the funds available to be invested in resource issuers;
- dispose of its interest in its Nevada lithium properties. At August 31, 2019, the Company has written-down its interest in such properties (note 7); and
- the granting of 11,000,000 incentive stock options to certain directors, officers and consultants of the Company. The options will have an exercise price of $0.30 per share and a term of 5 years.

Completion of the change in business operations is subject to receipt of shareholder and regulatory approvals.